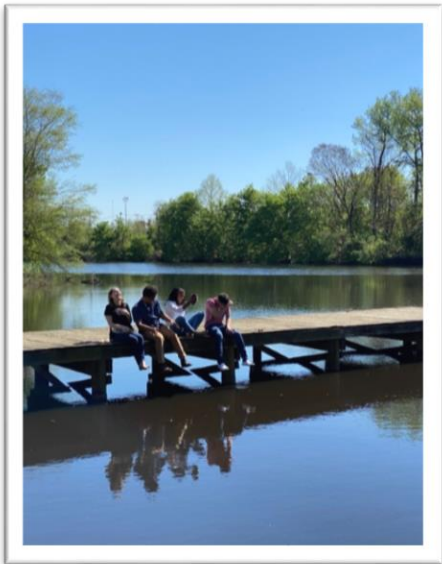


*Community
Community*



*Growth
Growth*



CITY OF FRANKLIN, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL
REPORT
For the Period Ended June 30, 2021
Prepared by the Department of Finance



*Spirit
Spirit*



THIS PAGE INTENTIONALLY LEFT BLANK

THE CITY OF FRANKLIN, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021



Acknowledgments

The preparation of this report has been accomplished by the efficient and dedicated services of the staff of the Department of Finance and various departments who have been assisted by the independent auditors, Creedle Jones & Associates PC. The contributions of all are invaluable and sincerely appreciated and clearly reflect the high standards which have been set by the City of Franklin.

The following Finance employees were instrumental in the preparation of this report:

Melisa Blythe
Joe Ann Faulk

Nancy Layman
Lois Panton

It is also appropriate to thank the City Manager, Mayor and Members of City Council for making possible the excellent financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Tracy Spence, Director of Finance, 207 West Second Avenue, Franklin, Virginia 23851. For information about the City, refer to the City's web page at www.franklinva.com.

THIS PAGE INTENTIONALLY LEFT BLANK

City of Franklin, Virginia

Table of Contents

Year Ended June 30, 2021

	Pages	
INTRODUCTORY SECTION		
Title Page	iii	
Table of Contents	v-viii	
Directory of Principal Officials	x	
Organizational Chart	xii	
Letter of Transmittal	xiv-xxi	
FINANCIAL SECTION		
Independent Auditor's Report	1-2	
Management's Discussion and Analysis	3-13	
Basic Financial Statements		
Government-Wide Financial Statements		
Exhibit 1	Statement of Net Position	14
Exhibit 2	Statement of Activities	15
Fund Financial Statements		
Exhibit 3	Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16-17
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18-19
Exhibit 5	Statement of Net Position – Proprietary Funds	20
Exhibit 6	Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	21
Exhibit 7	Statement of Cash Flows – Proprietary Funds	22
Exhibit 8	Statement of Fiduciary Net Position – Custodial Funds	23
Exhibit 9	Statement of Changes in Fiduciary Net Position – Custodial Funds	24
Notes to the Financial Statements		25-124

Required Supplementary Information

Exhibit 10	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund, Virginia Public Assistance Fund, and COVID-19 Fund	125-127
	Schedule of Changes in the Political Subdivision’s Net Pension Liability and Related Ratios	128-129
	Schedule of Employer’s Share of Net Pension Liability – VRS Teacher Employee Retirement Plan	130
	Schedule of Employer Contributions	131
	Notes to Required Supplementary Information	132
	Schedule of Employer’s Share of Net OPEB Liability – Group Life Insurance Program	133
	Schedule of Employer Contributions – Group Life Insurance OPEB Plan	134
	Notes to Required Supplementary Information – GLI OPEB	135-137
	Schedule of Changes in the Political Subdivision’s Net HIC OPEB Liability and Related Ratios School Board General Employees	138
	Schedule of Employer Contributions – HIC OPEB School Board General Employees	139
	Notes to Required Supplementary Information – HIC OPEB School Board General Employees	140
	Schedule of Employer’s Share of Net OPEB Liability Health Insurance Credit Program (HIC) – Teacher	141
	Schedule of Employer Contributions Health Insurance Credit – Teacher	142
	Notes to Required Supplementary Information – HIC OPEB – Teacher	143
	Schedule of Employer’s Share of Net OPEB Liability Line of Duty Act Program (LODA)	144
	Schedule of Employer Contributions Line of Duty Act Program (LODA)	145
	Notes to Required Supplementary Information – LODA OPEB	146-147
	Schedule of Employer’s Share of Net OPEB Liability Virginia Local Disability Program (VLDP) – City	148
	Schedule of Employer Contributions Virginia Local Disability Program – City	149
	Schedule of Employer’s Share of Net OPEB Liability Virginia Local Disability Program (VLDP) – School Board General Employees	150
	Schedule of Employer Contributions Virginia Local Disability Program – School Board General Employees	151
	Notes to Required Supplementary Information – VLDP OPEB	152
	Schedule of Employer’s Share of Net OPEB Liability Virginia Local Disability Program (VLDP) - Teacher	153

	Pages
Schedule of Employer Contributions Virginia Local Disability Program - Teacher	154
Notes to Required Supplementary Information – VLDP OPEB Teacher	155
Schedule of Changes in the Political Subdivision’s Total OPEB Liability and Related Ratios – Retiree Health Insurance	156
Schedule of Employer Contributions for OPEB Retiree Health Insurance	157
Schedule of Changes in the Political Subdivision’s Total OPEB Liability and Related Ratios – Retiree Health Insurance Schools	158
Other Supplementary Information	
Combining and Individual Nonmajor Fund Statements	
Primary Government	
Schedule 1 Combining Balance Sheet – Nonmajor Special Revenue Funds	159
Schedule 2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	160
Schedule 3 Combining Statement of Fiduciary Net Position – Custodial Funds	161
Schedule 4 Combining Statements of Changes in Fiduciary Net Position – Custodial Funds	162
Discretely Presented Component Unit – School Board	
Schedule 5 Combining Balance Sheet	163
Schedule 6 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	164
Schedule 7 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	165
Discretely Presented Component Unit – Industrial Development Authority	
Schedule 8 Statement of Net Position	166
Schedule 9 Statement of Revenues, Expenses, and Changes in Net Position	167
Schedule 10 Statement of Cash Flows	168
Supporting Schedules	
Schedule 11 Schedule of Revenues and Other Financing Sources – Budget and Actual – General Fund	169-171
Schedule 12 Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund	172-175
Schedule 13 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – CSA Fund, Regional Fire Training, Foundation Grants, Western Tidewater Home Consortium Fund, Madison Street Project Fund, and Economic Development Fund	176-178

STATISTICAL SECTION

Table 1	Government-Wide Revenues	179
Table 2	Government-Wide Expenses by Function	180
Table 3	General Governmental Revenues by Source	181
Table 4	General Governmental Expenditures by Function	182
Table 5	Fund Balances – Governmental Funds	183
Table 6	Changes in Fund Balance – Governmental Funds	184
Table 7	Net Position by Component	185
Table 8	Change in Net Position	186-187
Table 9	Property Tax Levies and Collections	188
Table 10	Assessed Value of Taxable Property	189
Table 11	Property Tax Rates	190
Table 12	Principal Taxpayers – Real Estate	191
Table 13	Principal Taxpayers – Personal Property	192
Table 14	Taxable Sales by Category	193
Table 15	Ratio of Net General Bonded Debt to Assessed Value	194
Table 16	Legal Debt Margin Information	195
Table 17	Ratio of Annual Debt Service Expenditures to Total General Governmental Expenditures	196
Table 18	Ratios of Outstanding Debt by Type	197
Table 19	Demographic Statistics	198
Table 20	Principal Employers	199
Table 21	Full-Time Equivalent City Government Employees by Function/Program	200
Table 22	Operating Indicators by Function/Program	201
Table 23	Capital Asset Statistics by Function/Program	202

COMPLIANCE (SINGLE AUDIT) SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	203-204
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	205-206
Report on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants	207-208
Schedule of Expenditures of Federal Awards	209
Notes to Schedule of Expenditures of Federal Awards	210
Schedule of Findings and Questioned Costs	211

THIS PAGE INTENTIONALLY LEFT BLANK

City of Franklin, Virginia

Directory of Principal Officials

June 30, 2021

Mayor

Frank M. Rabil

Vice Mayor

Robert Cutchins

Council Members

Gregory McLemore
Wynndolyn H. Copeland
Mark R. Kitchen

Linwood Johnson
Charles R. Smith

Constitutional Officers

Dinah M. Babb
Brenda B. Rickman
Jennifer L. Maynard

Treasurer
Commissioner of Revenue
Registrar

Franklin City Public Schools

Amy Phillips
Tamara Sterling
Jeffrey Ryder

Chairman of School Board
Superintendent
Assistant Superintendent of Operations

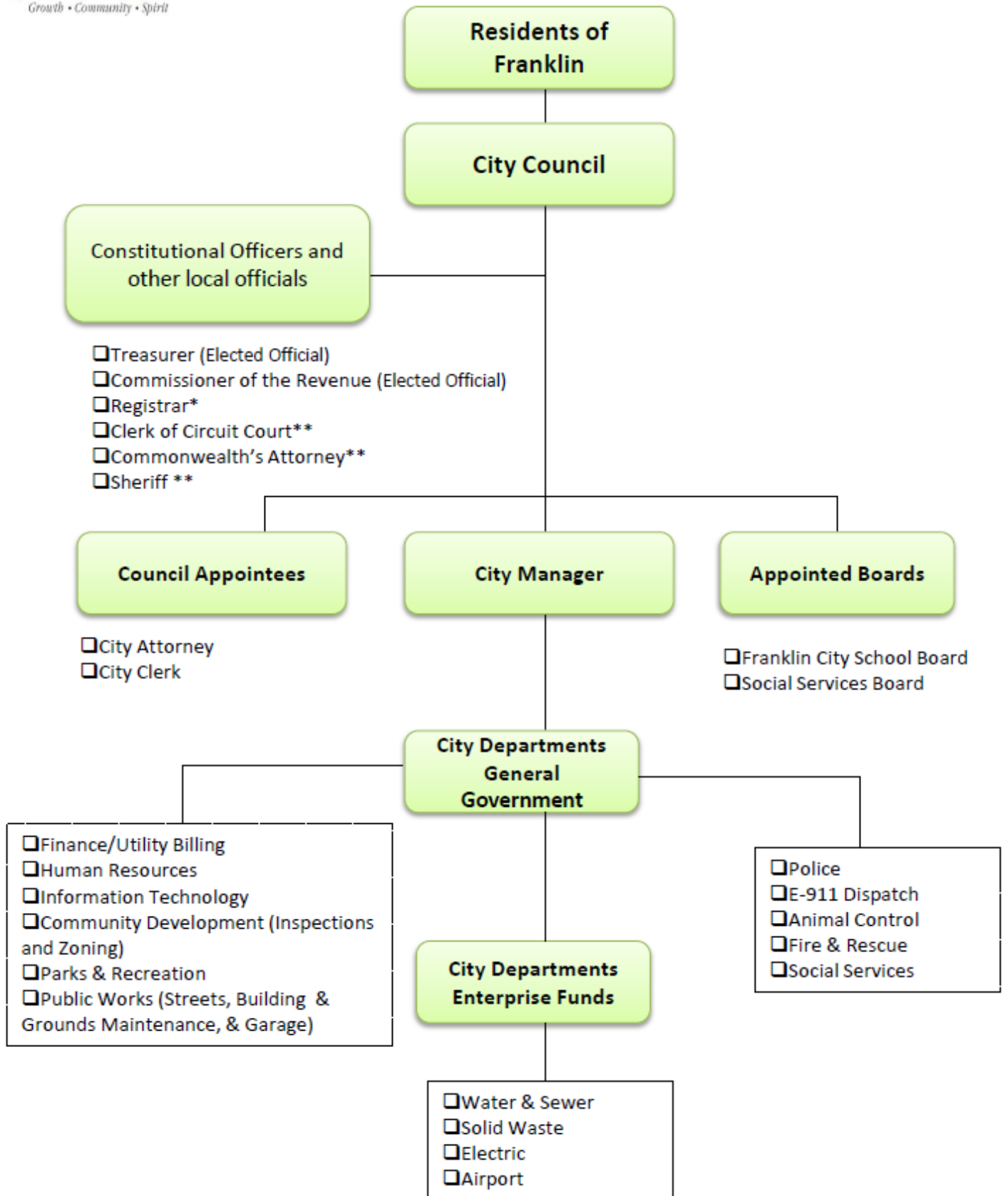
City Administration

Amanda C. Jarratt
Tracy Spence, CPA
Steve Patterson
Vernie Francis
Michelle Dandridge
Chad Edwards
Zach Wright
Natalie Rountree
Sammara Green-Bailey
Sarah Rexrode

City Manager
Director of Finance
Chief of Police
Chief of Emergency Services
Director of Human Resources
Interim Director of Public Works
Director of Power and Light
Director of Community Development
Director of Parks and Recreation
Director of Social Services

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FRANKLIN ORGANIZATIONAL CHART



*Appointed by State Board of Elections

** Shared Services with Southampton County

THIS PAGE INTENTIONALLY LEFT BLANK



*Office Of The City Manager
Amanda C. Jarratt*

November 19, 2021

To the Honorable Members of City Council
and Citizens of the City of Franklin:

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Franklin (the “City”) for the fiscal year ended June 30, 2021. The report is required in accordance with section 3.08 (c) of the Franklin City Charter and is prepared in accordance with the standards of financial reporting prescribed by the Governmental Accounting Standards Board (GASB), and the Auditor of Public Accounts of the Commonwealth of Virginia. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City of Franklin. GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management’s Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent auditor’s report.

The Reporting Entity and Its Services

Background

Franklin, which had been a part of Southampton County for many years, became an incorporated town in 1876 and an independent city on December 22, 1961. Subsequent annexations in 1986 and 1996 increased the population and land area of the City. The population today is approximately 8,900 and the land area is 8.75 square miles. The City is located in the southeastern part of the state in the Hampton Roads area. The region is the 27th largest metropolitan statistical area in the country.

Franklin is organized under the Council – City Manager form of government. The Franklin City Council is comprised of seven members, which includes the Mayor. Six council members, each representing a ward, are elected by the voters and serve four year staggered terms. The City Mayor is elected at large for a two-year term. Persons elected to City Council take office on the first day of July following the election.

The City Council is the policy determining body of the City. Its responsibilities include: adoption of the annual City budget; creation, combination or elimination of City departments; approval of all tax levies; approval of amendments, supplements or repeals to ordinances and the City Code; and appointment of the City Manager, City Clerk, City Attorney and various local boards, commissions and committees. The City Manager acts as Chief Executive and Administrative Officer of the City. The Manager serves at the pleasure of Council, carries out its policies, and directs the business and administrative affairs of the City, which includes supervision of employees.

The City of Franklin provides a full range of general governmental services for its citizens, including police and fire protection and emergency medical services; the maintenance of highways, streets, and other infrastructure; and recreational activities, library services and cultural events. Beginning in October of 2020 the Community Development Department transitioned back to serving only the City of Franklin. Other

services provided include public education, health and social services, and judicial activities. Beginning in January of 2020 the City of Franklin began providing emergency medical services to Southampton County. The City owns and operates a municipal electric company (Franklin Power & Light), which provides electrical services to City residents and certain geographical locations within surrounding jurisdictions (Southampton, Suffolk and Isle of Wight). The City also owns and operates water and sewage facilities that extend into portions of Southampton and Isle of Wight Counties; provides curb-side solid waste disposal and recycling services; owns and operates a City pool; and manages various paid recreational activities. Franklin owns and maintains a municipal airport located one mile east of Franklin in Isle of Wight County.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the City is taking appropriate actions to mitigate negative impacts to operating results. However, as there is still a significant level of uncertainty associated with the pandemic, the City continues to actively monitor developments and will take steps to respond accordingly. Revenue collection and projections for fiscal year 2022 have been conservatively budgeted and will require vigilant monitoring and reassessment.

Component Units

In addition to general governing activities, the governing body has significant financial influence over the Schools, which is reported separately within the City of Franklin's financial statements as a component unit. Component units are legally separate entities for which the City is financially accountable. For Franklin City Public Schools, the City must provide all capital improvement funds, pay debt on school projects, and provide a significant amount of operating funds required, but not provided by the state. The City Council's authority is limited to appointing local school board members and appropriating funds. Local school boards do not have taxing or bond issuance authority.

The Industrial Development Authority is also reported as a component unit. Additional information on legally separate entities can be found in the Notes to the Financial Statements and in the Other Supplementary Information Section.

Economic Conditions & Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Franklin operates.

Local Economy

The City's development activities are executed primarily through Franklin Southampton Economic Development Council, Inc. (FSEDI), whose core mission is to grow and diversify the tax and employment base of the City. This mission is accomplished by promoting Franklin City as an ideal location for business start-up, relocation, and expansion and capital investment. The City enjoys its unique relationship with Isle of Wight and Southampton Counties and through collaboration with these neighbor counties, and partnership with FSEDI, the City is better positioned to promote economic growth and stability. Major initiatives of the City from FSEDI activities include:

- ❖ The Vine purchased by Hubbard Peanut Company opened their facility in the former Farm Fresh facility in the midst of the pandemic.
- ❖ Serve, a new restaurant facility opened in downtown Franklin one week after the State of Emergency was declared.
- ❖ The Franklin Business Center currently has 37 clients and welcomed eight new businesses. One graduate, Helping Hands Sitter Service, located in Downtown Franklin.

Local taxes indicative of Franklin’s economy was stable at June 30, 2021 as shown in the table below:

Fiscal Year	Business Licenses	Meals Tax	Lodging Tax	Cigarette Taxes	Sales & Use Taxes	TOTALS
FY 12	\$ 934,328	\$ 1,330,207	\$ 198,481	\$ 244,959	\$ 1,683,980	\$ 4,391,956
FY 13	\$ 923,492	\$ 1,259,747	\$ 152,875	\$ 356,358	\$ 1,782,760	\$ 4,475,232
FY 14	\$ 952,525	\$ 1,294,882	\$ 149,854	\$ 342,433	\$ 1,722,799	\$ 4,462,493
FY 15	\$ 921,270	\$ 1,439,601	\$ 149,166	\$ 373,904	\$ 1,767,063	\$ 4,651,004
FY 16	\$ 969,182	\$ 1,494,137	\$ 123,626	\$ 352,199	\$ 1,767,781	\$ 4,706,925
FY 17	\$ 959,132	\$ 1,498,567	\$ 141,317	\$ 316,662	\$ 1,799,419	\$ 4,715,097
FY 18	\$ 972,179	\$ 1,522,481	\$ 170,060	\$ 298,773	\$ 1,854,694	\$ 4,818,187
FY 19	\$ 950,764	\$ 1,478,018	\$ 148,234	\$ 300,133	\$ 1,896,306	\$ 4,773,455
FY 20	\$ 1,024,563	\$ 1,531,440	\$ 133,484	\$ 359,057	\$ 1,946,296	\$ 4,994,840
FY 21	\$ 1,005,131	\$ 1,805,178	\$ 178,790	\$ 337,113	\$ 2,111,038	\$ 5,437,250
				Growth Trend Since FYE 6-30-12		\$ 1,045,294
						23.80%
				Growth Trend Since FYE 6-30-20		\$ 442,410
						8.86%

Enterprise Zones

In an effort to attract new business to the community, the City of Franklin has established Enterprise Zones. These zones have been approved and authorized by the state and entitle new businesses to various state and local incentives to promote further economic development including job creation. The City benefits from revenue sharing funds from the Counties for commercial development outside the City where City utility services are provided.

City Council and City management continue to explore opportunities and establish priorities as the guiding principles to move the City forward while establishing collaborative partnerships between City organizations, (the Franklin Southampton Economic Development Inc., School Board, Advisory Committees, etc.) and neighboring jurisdictions to further advance the objectives of the City as well as its partners.

Bond Rating

The City working with Davenport & Company to have the City’s bond ratings reaffirmed in June of 2021. The City maintained the AA credit rating from Standard & Poor’s (S & P) bond rating agency. S & P referred to the City’s strong reserves, strong cash position to cover debt service, and sound budgetary and financial management practices for support of the rating. The City also maintained the Aa1 rating from Moody’s Investors Services.

Financial Information and Significant Financial Policies

Minimum Fund Balance Policy

One of the financial policies closely monitored is the City’s minimum fund balance policy which indicates the ability of the City to cope with unexpected financial challenges or emergencies. This policy enables the City to survive potential financial emergencies and adverse fluctuations in revenue cycles, (2) take advantage of unexpected opportunities and, (3) retain its sound financial position. The City has established by policy, the ratio of unassigned General Fund balance as a percentage of budgeted annual expenditures in the General Fund at a minimum of 15%. At June 30, 2021, the City’s unassigned fund balance of \$8.6 million represented 31.8% of the actual annual expenditures (as revised) exceeding the minimum policy level.

The following table presents the City’s General Fund ratio of unassigned fund balance to total expenditures for the previous five fiscal years:

Fiscal Year	General Fund Unassigned Fund Balance	General Fund Budgeted Expenditures	Ratio
2021	\$ 8,584,579	\$27,015,543	31.78%
2020	\$ 6,549,082	\$26,326,947	24.88%
2019	\$ 4,815,905	\$24,369,338	19.76%
2018	\$ 4,189,190	\$24,322,449	17.22%
2017	\$ 5,055,159	\$23,324,065	21.67%

Internal Control and Budget Accounting

The City is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the City of Franklin’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The City’s control environment reflects the attitude of fiscal responsibility of the City’s resources amongst all departments. City Finance abides by the Government Finance Officers Association Code of Ethics. Budget controls ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, certain Special Revenue Funds, Debt Service Fund, Enterprise Funds, and Public Schools-Component Unit are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds and certain other Special Revenue Funds. Additional controls are exercised administratively amongst City departments. As a recipient of federal financial assistance, the City also is responsible for maintaining an adequate internal control structure. This structure allows the City to ensure and document compliance with the U.S. Office of Management and Budget for major federal award programs. These reports are available in the Compliance (Single Audit) section of this report.

The keystone to the City’s ability to maintain its fiscal responsibility is the continuing dedication of the City Council, which is evidenced by the City Council’s adoption of sound financial policies. These policies relate primarily to cash and debt management and budget operations as a means of ensuring prudent and responsible monitoring, spending, and reporting of the City’s resources. From time to time, the City Council evaluates these policies and makes amendments as needed to address changing economic conditions and management practices.

The legal level of budgetary control (level at which expenditures cannot exceed the appropriated amount) takes place at the department level. City Council may authorize supplemental appropriations based on the availability of financial resources. Any revisions that alter total appropriations must be approved by City Council. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Although encumbered amounts lapse at year-end, the outstanding encumbrances are reviewed and generally reappropriated as part of the following year’s budget provided there is availability of funding at year end. City Council approves transfers between departments at the level not authorized by the City Manager.

Financial Advisor

The City uses Financial Advisors to guide it through the long-term financial planning needed to address capital improvement planning and related debt service structuring. The efforts of Davenport & Company LLC have helped the City achieve long-term cost savings associated with debt service. Davenport played a significant role in the most recent bond rating affirmations as well as the capital borrowing that the City of Franklin closed on in December of 2019.

Independent Audit

The City of Franklin's financial statements have been audited by Creedle, Jones & Associates, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Franklin for the fiscal year ended June 30, 2021 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Franklin's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with GAAP. The independent auditor's report is presented in the Financial Section of this report.

Single Audit

The independent audit of the financial statements of the City of Franklin was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies and a state compliance audit. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The Commonwealth of Virginia also has audit requirements on compliance with specific Commonwealth of Virginia laws, regulations, contracts, and grants. The compliance section follows the Statistical Section of this report.

Financial Outlook

The financial outlook for Fiscal Year 2021-2022 remains stable, with minimum revenue growth expected and continued cost-saving efforts planned. The City has been consistently able to achieve a balanced budget in recent years without eliminating direct services to Franklin residents and with the minimum responsible impact to the real estate tax rate. This has been accomplished in the wake of fiscal challenges which to some extent were beyond the City's control. We feel that current management initiatives, along with prudent long-range strategic and comprehensive planning, will enable the City to continue to generate sufficient resources to meet future service demands, maintain a stable financial position, protect the City's good credit rating, and maintain realistic and affordable tax burdens on the citizens of the City.

Other Accomplishments for FY 2021

We are pleased to report some significant accomplishments and initiatives undertaken during the year ended June 30, 2021:

General Government Administration

- ❖ The Treasurer's Office received the Office of Accreditation from the Treasurer's Association of Virginia for the eighth year in row.
- ❖ The office has maintained a collection rate on delinquent taxes for Real Estate at 99.71% and for Personal Property at 98.40% even though there was a pandemic.
- ❖ Staff collected an additional \$64,000 that went to the delinquent taxes and delinquent utilities from the Department of Treasury's Unclaimed Property Division.
- ❖ The Commissioner's Office received Office Accreditation for the third year through the Commissioner of the Revenue Association.

Airport

- ❖ The Franklin Regional Airport maintained all rental spaces at 100% capacity.
- ❖ The Franklin Regional Airport secured a \$175,000 grant to rehab the damaged runway.
- ❖ The Franklin Regional Airport secured all available funding associated with COVID-19 rescue acts totaling \$75,000.

Emergency Services

- ❖ The Emergency Services Department developed a partnership with VCU College to offer a local Paramedic Program which currently has six employees completing their final steps of the program.
- ❖ The Emergency Services Department conducted a promotional process for the ranks of Lieutenant and Captain. On July 1, 2021, the department promoted four Lieutenants and one Captain.
- ❖ The Emergency Services Department responded to 2,573 fire and EMS related calls for service.
- ❖ The Emergency Services Department completed 1,033 personnel-hours of training for career and volunteer staff on a variety of both EMS and Fire related topics.

Human Resources

- ❖ The Human Resources Department streamlined the recruitment and selection process throughout the City.
- ❖ The Human Resources Department updated City personnel policies and procedures:
 - General Provisions
 - Equal Employment Opportunity and Affirmative Action
 - Sexual Harassment and Other Unlawful Harassment
 - Temporary Alternative Work Site / Telework Guidelines
 - Education Assistance and Skill Development Program
 - Drug-Free Workplace Policy
 - Substance Abuse and Testing
 - Travel and Meals Policy
 - Outside Employment
- ❖ Applied for and received the VRSA Risk Management Grant.
- ❖ Participated in two (2) virtual hiring events hosted by the Virginia Employment Commission.

Franklin Police Department

- ❖ The Franklin Police Department Implemented online implicit bias training provided through the Virginia Association of Chiefs of Police for all sworn staff.
- ❖ The Franklin Police Department researched, obtained, and sent one officer to RADAR / LIDAR instructor school to advance traffic operations within the City of Franklin.
- ❖ The Franklin Police Department continued to advance the accreditation process through the Virginia Law Enforcement Professional Standards Commission by reviewing and updating policies.
- ❖ The Franklin Police Department advanced efforts to reestablished radio communications onto the Hunterdale Water Tower and the temporary tower removed.
- ❖ The Franklin Police Department assisted with seven testing site operations and four vaccination site operations in conjunction with the Virginia Department of Health, the Franklin Community Health Center and Virginia National Guard.

Parks and Recreation

- ❖ All City of Franklin playgrounds are now ADA Compliant and one new playground was built this year.
- ❖ The Armory Field Sports Complex restrooms were renovated this year.
- ❖ The Department secured over \$90,000 in grant money for Community Center additions including a computer lab, STEM Lab, and game room build out.
- ❖ The Franklin Farmers Market is averaged 250 people weekly.

Public Works

- ❖ The Public Works Department milled and paved Oak Street, a portion of Clay Street, a portion of Redwood Avenue and a portion of Rosewood Avenue.
- ❖ The Public Works Department installed storm sewer CIPP in lines on Armory Drive, Clay Street, Gardner Street and North High Street.
- ❖ The Public Works Department installed 6,980 L.F. of sewer CIPP in lines on Beechwood Drive, Oakwood Drive and North High Street.
- ❖ The Public Works Department completed the AWIA Risk and Resilience Assessment for the potable water system mandated by the EPA.
- ❖ The Public Works Department upgraded the SCADA server at the Wastewater Treatment Plant.

Social Services

Highlights for SFY 2020

The total amount of money spent in the locality in SFY 2020 = \$40,238,706.00

The total amount of funds spent by the locality in SFY 2020 = \$383,918.00

Adult Protective Services referrals = 51

Child Protective Services referrals = 198

1,533 Households received SNAP benefits, totaling 3,024 individuals

97 Households received TANF benefits. Totaling 230 individuals

2438 Households received Medical Assistance, totaling 4,042 individuals

Households receiving Energy Assistance:

Fuel = 440

Cooling = 349

Crisis = 90

49 Families received Child Care subsidies totaling 87 children.

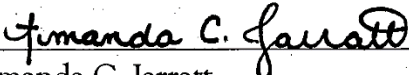
Through the locally supported Christmas Assistance Program, we provided over 100 children with gifts to open Christmas morning! The community provided such a positive response that we will be continuing the Angel Tree this year.

As stated, this is a condensed listing of several major items addressed in FY 21. As evidenced, the City continued its history of (1) seeking grant funds for public safety and community improvements, (2) utilizing resources to provide quality governmental services to Franklin Citizens, (3) expanding technology to improve operational efficiencies and control costs, (4) promoting safety and wellness throughout all City departments, (5) maintaining sound financial management and (6) improving activities and programs to enhance overall quality of life. These highlights and accomplishments are in sync with the priorities established by City Council.

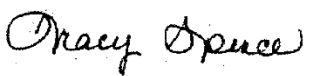
Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department and all departments who played a role in achieving a favorable year-end audit all while navigating the very challenging presence of COVID-19. We also express sincere appreciation to City Council whose oversight of the financial affairs of the City has resulted in the City's strong financial position. Council is commended for their interest and support in the strategic planning for the City's future and for conducting the operations of the City of Franklin in a responsible and progressive manner.

Respectfully Submitted,



Amanda C. Jarratt
City Manager



Tracy Spence, CPA
Director of Finance

FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of City Council
City of Franklin, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit IDA, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Franklin, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements and schedule of expenditures of federal awards of the Component Unit, School Board. Those statements were audited by other auditors in accordance with the same standards above, whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Component Unit, School Board, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by the other auditors.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2021, the City adopted new accounting guidance, GASBS No. 84, Fiduciary Activities. Our Opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 3-13, 125-127, and 128-158 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, component unit financial statements, schedule of revenues and expenses—budget to actual, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, component unit financial statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund statements, component unit financial statements, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. Federal expenditures related to the Component Unit, School Board, are reported in a separate SEFA audited by other auditors.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021, on our consideration of the City of Franklin, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Franklin, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Franklin, Virginia's internal control over financial reporting and compliance.

Credle, Jones & Associates, P.C.

Credle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
November 19, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year July 1, 2020 – June 30, 2021

This section of the City of Franklin, Virginia's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2021. To enhance your understanding of the City's financial performance, please read this discussion and analysis in conjunction with the transmittal letter in the front of this report, the City's basic financial statements, and supplementary information following this section.

Financial Highlights

General Fund

- The City's real estate tax rate is \$1.03 per \$100 of assessed valuation.
- Overall, General Fund revenues (less other financing sources) increased by \$1,201,021 from FY 2020 from \$23,977,687 to \$25,178,708.
- At the close of FY 2021, unassigned fund balance for the General Fund was \$8,584,579. At the close of FY 2020, the unassigned fund balance of the General Fund was \$6,549,082. This represents an increase of \$2,035,497 or 31%.
- The composition of the \$11,522,296 fund balance at the end of the year was 74.5% unassigned, 8.4% nonspendable, 7.4% restricted, 2.1% committed and 7.6% assigned.
- The General Fund, on a current financial resources basis, reported revenues and other financing sources of \$3,086,261 under expenditures and financing uses. This is after making a \$4,830,237 payment to Franklin City Schools, \$862,359 to Special Revenue Funds, \$580,906 to Capital Projects Fund, and \$1,101,182 to the Debt Service Fund. Expenditures (less transfers) increased by \$489,476 when compared to FY 2020.

Governmental Activities

- At the close of the fiscal year, the assets and deferred outflows of resources of the City's governmental activities exceeded its liabilities and deferred inflows of resources by \$16,828,026. Of this amount, \$132,107 is unrestricted and \$1,214,521 and \$6,562,259 is restricted for capital projects and debt service, respectively. The residual \$8,919,139 relates to net investment in capital assets and is not available for expenditure.
- The City's total net position increased by \$4,882,803 from the prior year. Of this amount, an increase of \$2,871,423 is related to governmental activities and an increase of \$2,011,380 is attributed to business-type activities.
- The City's total outstanding general obligation debt (exclusive of premiums) at June 30, 2021 was \$26,739,000. This includes \$5,470,200 in business-activity debt and \$21,268,800 in general government activities.

Overview of the Financial Statements

This Annual Comprehensive Financial Report consists of four sections: introductory, financial, statistical, and financial compliance reports for federal funds. The financial section consists of three (3) sections: management's discussion and analysis, basic financial statements, and supplementary information. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Both perspectives allow the user to address relevant questions, broaden the basis of comparison, and enhance the City's accountability.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The *Statement of Net Position* presents information on all City assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the City's property tax base and condition of the City's infrastructure. The *Statement of Activities* presents information identifying how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid.

In the ***Statement of Net Position*** and the ***Statement of Activities***, the City is divided into the following:

- Governmental activities – The City's basic municipal services are reported here and include general government administration, judicial administration, public safety, highways and streets, community development, public health, and parks, recreation, and cultural. These activities are mainly supported by taxes and intergovernmental revenue.
- Business-type activities – The City charges user fees to customers to help offset all or most of the cost of the services provided. The business-type activities of the City reported in this section include Water and Sewer Utility, Electric Utility, Solid Waste, and Airport operations. While the Solid Waste, Water and Sewer, and Electric Utility Funds are self-supporting, the City provides general fund support for operation of the Airport.
- Component Units – The government-wide financial statements include not only the City itself (known as the Primary Government), but also the following legally separate component units for which the City is financially accountable for providing operating and capital funding, the City of Franklin Public Schools and the City of Franklin Industrial Development Authority. Financial information for these component units is reported separately from the financial information presented for the primary government and can be found in the "Other Supplementary Information" section of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. In the Basic Financial Statements, the emphasis is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The focus here is on (1) inflows and outflows of cash and other financial resources that can be readily converted into cash and (2) the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating whether there are more or fewer resources that can be spent in the short term to finance City operations. Because this information does not address the long-term focus of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. A reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Virginia Public Assistance, COVID-19, Capital Projects, and Debt Service Funds. Data from the other governmental funds are combined into a single aggregate presentation. Individual funds data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its various funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided.

- **Proprietary Funds** – The City maintains proprietary funds to account for enterprise fund operations that report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, electrical, solid waste, and airport operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information on each fund.
- **Fiduciary Funds** – The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The accounting for fiduciary funds is similar to the proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary and other supplementary information concerning the City, including financial information of the School Board and Industrial Development Authority component units. Supplementary information follows the Notes to the Financial Statements.

Government-Wide Financial Statements Analysis

Over time, net position may serve as a useful indicator of a government’s financial position. At the close of the most recent fiscal year, the City’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$33,424,817.

Summary of Net Position
As of June 30, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	\$ 27,678,791	\$ 17,703,171	\$ 14,428,846	\$ 11,852,354	\$ 42,107,637	\$ 29,555,525
Capital assets (net)	23,726,800	24,940,172	10,448,939	10,831,332	34,175,739	35,771,504
Total Assets	51,405,591	42,643,343	24,877,785	22,683,686	76,283,376	65,327,029
Deferred Outflows of Resources						
	4,478,936	3,384,019	715,658	582,641	5,194,594	3,966,660
Total Assets and Deferred Outflows of Resources	\$ 55,884,527	\$ 46,027,362	\$ 25,593,443	\$ 23,266,327	\$ 81,477,970	\$ 69,293,689
Liabilities						
Current and other liabilities	\$ 6,176,370	\$ 1,970,423	\$ 1,681,477	\$ 1,807,469	\$ 7,857,847	\$ 3,777,892
Long-term liabilities	31,813,101	27,017,197	7,148,929	6,591,561	38,962,030	33,608,758
Total Liabilities	37,989,471	28,987,620	8,830,406	8,399,030	46,819,877	37,386,650
Deferred Inflows of Resources	1,067,030	1,445,321	166,246	281,886	1,233,276	1,727,207
Net Position						
Net investment in capital assets	8,919,139	9,469,367	8,817,902	8,665,767	17,737,041	18,135,134
Restricted	7,776,780	5,138,499	3,848,034	2,976,000	11,624,814	8,114,499
Unrestricted	132,107	986,555	3,930,855	2,943,644	4,062,962	3,930,199
Total Net Position	16,828,026	15,594,421	16,596,791	14,585,411	33,424,817	30,179,832
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 55,884,527	\$ 46,027,362	\$ 25,593,443	\$ 23,266,327	\$ 81,477,970	\$ 69,293,689

The largest portion of the City's total net position of \$33,424,817 is its \$17,737,041 net investment in capital assets (e.g., land, buildings and improvements, machinery and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. The remaining net position is comprised of \$4,062,962 in unrestricted net position, which may be used to meet the City's ongoing obligations, and \$6,562,259 in restricted assets for debt service and \$1,214,521 in restricted assets for capital projects for the governmental activities and \$3,848,034 is restricted for capital projects in the business-type activities.

The City's financial position includes \$4,062,962, or 12% of the net position, as unrestricted net position comprised of \$132,107 from governmental activities and \$3,930,855 from business-type activities are available to allow the City to provide obligations to citizens and creditors.

Statement of Activities

The following table indicates the changes in the net position of the governmental and business-type activities:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program Revenues						
Charges for services	\$ 1,958,133	\$ 2,037,360	\$ 19,319,135	\$ 19,491,559	\$ 21,277,268	\$ 21,528,919
Operating grants and contributions	6,938,274	5,027,350	67,631	130,641	7,005,905	5,157,991
General Revenues						
Real estate and personal property taxes	7,682,095	7,846,128	-	-	7,682,095	7,846,128
Other local taxes	6,350,185	5,873,063	-	-	6,350,185	5,873,063
Revenue sharing from counties	1,118,627	1,051,877	-	-	1,118,627	1,051,877
Grants and contributions not restricted to specific programs	1,528,752	1,570,025	-	-	1,528,752	1,570,025
Unrestricted revenues from use of money and property	526,315	644,792	3,811	30,782	530,126	675,574
Miscellaneous	821,534	495,496	12,219	12,404	833,753	507,900
Total Revenues	26,923,915	24,546,091	19,402,796	19,665,386	46,326,711	44,211,477
Expenses						
General government administration	3,149,486	3,090,604	-	-	3,149,486	3,090,604
Judicial administration	375,494	435,499	-	-	375,494	435,499
Public safety	6,546,406	6,723,826	-	-	6,546,406	6,723,826
Public works	3,005,726	3,452,223	-	-	3,005,726	3,452,223
Health and welfare	4,909,572	2,700,161	-	-	4,909,572	2,700,161
Education	4,830,237	5,135,157	-	-	4,830,237	5,135,157
Parks, recreation, and cultural	808,373	820,768	-	-	808,373	820,768
Community development	1,228,955	1,674,377	-	-	1,228,955	1,674,377
Interest and fees on long-term debt	1,037,636	433,701	-	-	1,037,636	433,701
Water and sewer	-	-	2,660,986	2,858,645	2,660,986	2,858,645
Electric	-	-	11,225,532	12,221,788	11,225,532	12,221,788
Solid waste	-	-	1,154,711	1,165,884	1,154,711	1,165,884
Airport	-	-	510,794	570,704	510,794	570,704
Total Expenses	25,891,885	24,466,316	15,552,023	16,817,021	41,443,908	41,283,337
Excess (Deficiency) Before Transfers	1,032,030	79,775	3,850,773	2,848,365	4,882,803	2,928,140
Transfers	1,839,393	1,725,795	(1,839,393)	(1,725,795)	-	-
Increase in Net Position	2,871,423	1,805,570	2,011,380	1,122,570	4,882,803	2,928,140
Beginning Net Position	13,956,603	13,788,851	14,585,411	13,462,841	28,542,014	27,251,692
Ending Net Position	\$ 16,828,026	\$ 15,594,421	\$ 16,596,791	\$ 14,585,411	\$ 33,424,817	\$ 30,179,832

Governmental Activities

Real estate and personal property tax revenue, the City's largest revenue source, totaled \$7,682,095, a decrease from the previous year at \$7,846,128. The City's real estate tax rate is \$1.03 per \$100 of assessed valuation. Personal property was taxed at \$4.50 per \$100 of assessed value and, represents \$1,801,372 of total general property taxes (excludes tax relief portion of \$91,084). Other local tax revenues, which totaled \$6,350,185 primarily of local option sales, consumer utility, business license, motor vehicle license, lodging, and meals taxes.

Revenue Sharing from Counties of \$1,118,627 represents revenue sharing payments received from Isle of Wight and Southampton Counties as part of annexation and service providing agreements. This is an increase from FY 2020 revenue sharing payments of \$1,051,877. Charges for services represent revenue received primarily from ambulance services and administration reimbursements from certain General Fund costs of the Enterprise Funds.

The City's expenses for governmental activities cover a wide range of services as seen in the above table. Overall, expenses for governmental activities increased \$1,425,569. The table below provides an overview of program expenses and related revenues.

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>		<u>2020</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 3,149,486	\$ (1,851,755)	\$ 3,090,604	\$ (1,898,823)
Judicial administration	375,494	(368,730)	435,499	(428,035)
Public safety	6,546,406	(3,258,838)	6,723,826	(5,238,387)
Public works	3,005,726	(950,215)	3,452,223	(1,537,417)
Health and welfare	4,909,572	(2,706,985)	2,700,161	(575,161)
Education	4,830,237	(4,830,237)	5,135,157	(5,135,157)
Parks, recreation, and cultural	808,373	(799,127)	820,768	(812,816)
Community development	1,228,955	(1,191,955)	1,674,377	(1,342,109)
Interest on long-term debt	<u>1,037,636</u>	<u>(1,037,636)</u>	<u>433,701</u>	<u>(433,701)</u>
Total	<u>\$ 25,891,885</u>	<u>\$ (16,995,478)</u>	<u>\$ 24,466,316</u>	<u>\$ (17,401,606)</u>

Business-Type Activities

Business-type activities are made up of the electric, solid waste, water and sewer, and airport fund activities.

Business-type activities increased the City's net position by \$2,011,380. Total program revenues for business-type activities decreased from FY 2020 by \$262,590. Total business-type expenses decreased by \$1,264,998.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental and Proprietary Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$20,991,670, compared to \$15,016,998 last year. The various components are discussed below:

- **General Fund.** The general fund is the chief operating fund of the City. At the conclusion of the current fiscal year, the combined fund balance totaled \$11,152,296, which reflects a \$3,086,261 increase over the prior year ending fund balance of \$8,436,035. Of this balance, \$8,584,579 or 74.5%, represents unassigned funds, which are available for operations of the government. The remaining \$2,937,717 is allocated among nonspendable, restricted, committed, and assigned fund balances. The unassigned fund balance expressed as a percentage of total fund expenditures is a useful measure of the general fund's liquidity. For the fiscal year ended June 30, 2021, this percentage totaled 48.2%, an increase over the previous year.
- **Capital Projects Fund.** The capital projects fund accounts for all general government, including schools, construction projects, excluding capital projects related to business-type activities which are accounted for elsewhere. At the end of the current fiscal year, the restricted fund balance totaled \$1,214,521.
- **Debt Service Fund.** The debt service fund has a restricted fund balance of \$6,562,259, which represents funds purposed for capital projects.
- **Proprietary Funds.** The City's Proprietary Funds (Enterprise Funds) provide the same type of information found in the government-wide financial statements, but in more detail. The City's enterprise funds account for its water and sewer, solid waste, municipal electric, and airport operations. Total net position of the enterprise funds at the end of the current fiscal year totaled \$16,596,791, an increase of \$2,011,380 over the prior balance of \$14,585,411.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations. Annual operating budgets are adopted by ordinance for the General Fund, Debt Service Fund, Water and Sewer Fund, Solid Waste Fund, Electric Fund, Airport Fund, and various Special Revenue Funds. However, the Consolidated Grant Funds, Fiduciary Funds, and the Capital Projects Fund are excluded from the annual operating budget.

During the year, City Council revised the budget on several occasions to include the appropriation of prior year reserves, grants, donations, and other revenues. Actual expenditures varied from the final budgeted amount for the General Fund. The actual contribution to the local school board was \$4,830,237 at the close of the fiscal year.

The following table provides an overview of the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>			<u>2020</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 7,506,434	\$ 7,656,470	\$ 7,962,856	\$ 7,872,719	\$ 7,872,719	\$ 7,835,275
Other	11,284,604	11,339,092	12,388,772	10,070,659	11,479,232	11,393,590
Intergovernmental	<u>4,515,192</u>	<u>4,650,630</u>	<u>4,827,080</u>	<u>3,874,945</u>	<u>4,756,859</u>	<u>4,748,822</u>
Total	<u>23,306,230</u>	<u>23,646,192</u>	<u>25,178,708</u>	21,818,323	24,108,810	23,977,687
Expenditures	<u>23,023,940</u>	<u>24,041,096</u>	<u>21,623,345</u>	<u>21,075,226</u>	<u>23,644,235</u>	<u>21,133,869</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>282,290</u>	<u>(394,904)</u>	<u>3,555,363</u>	743,097	464,575	2,843,818
Other Financing Sources (Uses)						
Transfers in	1,856,615	1,942,459	1,839,393	1,839,393	1,949,926	1,949,926
Transfers (out)	<u>(2,138,905)</u>	<u>(2,974,447)</u>	<u>(2,308,495)</u>	<u>(2,582,490)</u>	<u>(2,682,712)</u>	<u>(2,430,458)</u>
Total	<u>(282,290)</u>	<u>(1,031,988)</u>	<u>(469,102)</u>	<u>(743,097)</u>	<u>(732,786)</u>	<u>(480,532)</u>
Net Change in Fund Balance Before Transfer from Surplus	-	<u>(1,426,892)</u>	<u>3,086,261</u>	-	(268,211)	2,363,286
Transfer from Surplus Funds	<u>-</u>	<u>1,416,774</u>	<u>-</u>	<u>-</u>	<u>267,089</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ (10,118)</u>	<u>\$ 3,086,261</u>	<u>\$ -</u>	<u>\$ (1,122)</u>	<u>\$ 2,363,286</u>

The difference between the original budget and the final amended budget for the City's General Fund expenditures was approximately \$1,017,156 representing an increase in appropriations. Major variances are due to the following appropriation and anticipated expenditure made during FY 2021:

- \$200,000 appropriation for Industrial Corridor revenue payment.
- \$141,000 appropriation for grant funded projects.
- \$430,000 appropriation to Capital Projects fund for pay-as-you-go projects.
- \$201,000 appropriation for Grounds Maintenance and Landscaping equipment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totaled \$34,175,739 net of accumulated depreciation. Investment in capital assets includes land and easements, buildings, improvements other than buildings, infrastructure, machinery and equipment, and construction in progress. Net capital assets increased \$424,446 in the governmental activities and decreased \$382,393 in the proprietary activities. Additional details on school board capital assets can be located in the notes to the financial statements. See Note 7 – Capital Assets.

The following table summarizes capital assets, net of depreciation:

Change in Capital Assets

Primary Government

Governmental Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land	\$ 5,281,162	\$ -	\$ 5,281,162
Buildings	18,424,533	-	18,424,533
Improvements other than buildings	3,308,660	96,090	3,404,750
Machinery and equipment	12,483,475	1,175,882	13,659,357
Infrastructure	19,682,208	795,247	20,477,455
Total Capital Assets	59,180,038	2,067,219	61,247,257
Less: Accumulated depreciation and amortization	(35,877,684)	(1,642,773)	(37,520,457)
Total Capital Assets, Net	<u>\$ 23,302,354</u>	<u>\$ 424,446</u>	<u>\$ 23,726,800</u>

Business-Type Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land	\$ 179,258	\$ -	\$ 179,258
Construction in progress	238,364	(86,811)	151,553
Infrastructure	38,274,366	299,944	38,574,310
Buildings and improvements	1,448,618	112,627	1,561,245
Machinery and equipment	6,967,557	289,474	7,257,031
Total Capital Assets	47,108,163	615,234	47,723,397
Less: Accumulated depreciation and amortization	(36,276,831)	(997,627)	(37,274,458)
Total Capital Assets, Net	<u>\$ 10,831,332</u>	<u>\$ (382,393)</u>	<u>\$ 10,448,939</u>

Component Unit

School Board

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Construction in progress	\$ -	\$ 463,710	\$ 463,710
Land improvements	233,365	-	233,365
Buildings	13,558,233	-	13,558,233
Infrastructure	5,081,378	294,936	5,376,314
Machinery and equipment	7,625,549	531,269	8,156,818
Total Capital Assets	26,498,525	1,289,915	27,788,440
Less: Accumulated depreciation and amortization	(13,597,536)	(933,229)	(14,530,765)
Total Capital Assets, Net	<u>\$ 12,900,989</u>	<u>\$ 356,686</u>	<u>\$ 13,257,675</u>

Debt Administration. The City's total outstanding general obligation debt at June 30, 2021 was \$26,739,000, which is considered to be tax supported debt. Other general fund long-term liabilities are also provided. Additional details on the long-term debt activity can be located in Note 8, Long-Term Obligations.

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Governmental Activities			
General obligation bonds	\$ 18,129,429	\$ 3,139,371	\$ 21,268,800
Capital leases	24,810	149,459	174,269
Compensated absences	<u>669,215</u>	<u>(32,693)</u>	<u>636,522</u>
	18,823,454	3,256,137	22,079,591
Add: Premiums	<u>372,566</u>	<u>(34,044)</u>	<u>338,522</u>
 Total Governmental Activities	 <u>\$ 19,196,020</u>	 <u>\$ 3,222,093</u>	 <u>\$ 22,418,113</u>
Business-Type Activities			
General obligation bonds	\$ 5,130,000	\$ 340,200	\$ 5,470,200
Compensated absences	<u>101,624</u>	<u>(10,768)</u>	<u>90,856</u>
	5,231,624	329,432	5,561,056
Add: Premiums	<u>15,842</u>	<u>21,170</u>	<u>37,012</u>
 Total Business-Type Activities	 <u>\$ 5,247,466</u>	 <u>\$ 350,602</u>	 <u>\$ 5,598,068</u>

State statutes limit the amount of general obligation debt a government may issue to 10% of its total assessed valuation of real and public service corporations. The City's ratio of net general bonded debt to assessed value totals 4.62%.

	<u>FY 2021</u>	<u>FY 2020</u>
General Government Activities		
Bonds payable - general ⁽¹⁾	\$ 17,917,671	\$ 12,281,172
School related bonds ⁽¹⁾	<u>3,689,651</u>	<u>6,220,823</u>
 Total Tax Supported Debt	 <u>21,607,322</u>	 18,501,995
 Business-Type Activities	 <u>5,507,212</u>	 <u>5,145,842</u>
 Total General Obligation Debt	 <u>\$ 27,114,534</u>	 <u>\$ 23,647,837</u>
 Total Per Capita Tax Supported Debt	 <u>\$ 3,315</u>	 <u>\$ 2,951</u>

⁽¹⁾General obligation bonds are reported net of premium and discounts for both governmental and business-type activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The June 30, 2021 unemployment rate for the City of Franklin, Virginia was 7.3% compared to 4.5% for Virginia and the national rate of 6.1%. The June 30, 2020 unemployment rate for the City of Franklin, Virginia was 10.4%, compared to the state's unemployment rate of 8.5% and the average national rate of 11.2%.
- In FY 21-22, the City's amended general fund budget is \$27,812,583, an increase of \$797,039 or 3% over prior year's final budget (including transfers).

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. Questions concerning this report or requests for additional information should be directed to the City of Franklin, Director of Finance, 207 West Second Avenue, Franklin, Virginia 23851.

BASIC FINANCIAL STATEMENTS



City of Franklin, Virginia
Statement of Net Position
As of June 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total Primary Government	School Board	Industrial Development Authority
Assets					
Cash and cash equivalents	\$ 22,830,008	\$ 13,399,997	\$ 36,230,005	\$ 2,166,824	\$ 14,321
Receivables (net of allowance for uncollectibles)					
Property taxes receivable	810,519	-	810,519	-	-
Accounts receivable	585,595	1,967,743	2,553,338	44,882	-
Notes receivable	66,049	-	66,049	-	-
Internal balances	969,874	(969,874)	-	-	-
Prepaid items	1,070,208	-	1,070,208	22,000	-
Due from other governmental units	1,346,538	-	1,346,538	655,864	-
Inventories	-	30,980	30,980	31,116	-
Net pension asset	-	-	-	234,815	-
Capital Assets					
Land and construction in progress	5,281,162	330,811	5,611,973	558,089	-
Other capital assets, net	18,445,638	10,118,128	28,563,766	12,699,586	-
Capital assets, net	23,726,800	10,448,939	34,175,739	13,257,675	-
Total Assets	51,405,591	24,877,785	76,283,376	16,413,176	14,321
Deferred Outflows of Resources					
Pension deferrals	1,848,749	365,503	2,214,252	2,677,381	-
OPEB deferrals	2,193,351	312,870	2,506,221	276,395	-
Deferred outflows - loss on refunding	436,836	37,285	474,121	-	-
Total Deferred Outflows of Resources	4,478,936	715,658	5,194,594	2,953,776	-
Total Assets and Deferred Outflows of Resources	\$ 55,884,527	\$ 25,593,443	\$ 81,477,970	\$ 19,366,952	\$ 14,321
Liabilities					
Accounts payable and accrued liabilities	\$ 970,132	\$ 888,386	\$ 1,858,518	\$ 1,367,117	\$ -
Customers' deposits	-	458,039	458,039	-	-
Accrued interest payable	157,946	49,613	207,559	-	-
Unearned grant - CARES act - COVID	4,967,158	-	4,967,158	-	-
Line of credit	-	285,439	285,439	-	-
Deposits held in escrow	81,134	-	81,134	-	-
Due within one year					
Current portion of long-term liabilities	849,267	621,769	1,471,036	156,326	-
Due in more than one year					
Compensated absences	536,452	55,052	591,504	241,350	-
Capital lease obligations	174,269	-	174,269	-	-
Bonds, loans, and premiums	20,858,125	4,921,247	25,779,372	1,129,452	-
OPEB liabilities	4,162,687	484,714	4,647,401	1,956,079	-
Net pension liability	5,232,301	1,066,147	6,298,448	10,477,891	-
Total Liabilities	37,989,471	8,830,406	46,819,877	15,328,215	-
Deferred Inflows of Resources					
Pension deferrals	323,359	109,674	433,033	2,930,820	-
OPEB deferrals	743,671	56,572	800,243	604,067	-
Total Deferred Inflows of Resources	1,067,030	166,246	1,233,276	3,534,887	-
Net Position					
Net investment in capital assets	8,919,139	8,817,902	17,737,041	11,998,714	-
Restricted for					
Capital projects	1,214,521	3,848,034	5,062,555	-	-
Net pension asset	-	-	-	234,815	-
Debt service	6,562,259	-	6,562,259	-	-
Unrestricted (deficit)	132,107	3,930,855	4,062,962	(11,729,679)	14,321
Total Net Position	16,828,026	16,596,791	33,424,817	503,850	14,321
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 55,884,527	\$ 25,593,443	\$ 81,477,970	\$ 19,366,952	\$ 14,321

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	School Board	Industrial Development Authority
Primary Government									
Governmental Activities									
General government administration	\$ 3,149,486	\$ 1,100,209	\$ 197,522	\$ -	\$ (1,851,755)		\$ (1,851,755)		
Judicial administration	375,494	6,764	-	-	(368,730)		(368,730)		
Public safety	6,546,406	540,797	2,746,771	-	(3,258,838)		(3,258,838)		
Public works	3,005,726	305,617	1,749,894	-	(950,215)		(950,215)		
Health and welfare	4,909,572	-	2,202,587	-	(2,706,985)		(2,706,985)		
Education	4,830,237	-	-	-	(4,830,237)		(4,830,237)		
Parks, recreation, and cultural	808,373	4,746	4,500	-	(799,127)		(799,127)		
Community development	1,228,955	-	37,000	-	(1,191,955)		(1,191,955)		
Interest on long-term debt and fiscal charges	1,037,636	-	-	-	(1,037,636)		(1,037,636)		
Total Governmental Activities	25,891,885	1,958,133	6,938,274	-	(16,995,478)		(16,995,478)		
Business-Type Activities									
Water and sewer	2,660,986	3,308,959	-	-		\$ 647,973	647,973		
Solid waste	1,154,711	1,312,689	-	-		157,978	157,978		
Electric	11,225,532	14,606,746	-	-		3,381,214	3,381,214		
Airport	510,794	90,741	67,631	-		(352,422)	(352,422)		
Total Business-Type Activities	15,552,023	19,319,135	67,631	-		3,834,743	3,834,743		
Total Primary Government	\$ 41,443,908	\$ 21,277,268	\$ 7,005,905	\$ -			(13,160,735)		
Component Units									
School Board	\$ 16,070,577	\$ 9,768	\$ 12,281,331	\$ -			\$ (3,779,478)	\$ -	
Industrial Development Authority	40,000	-	-	-			-	(40,000)	
Total - Component Units	\$ 16,110,577	\$ 9,768	\$ 12,281,331	\$ -			(3,779,478)	(40,000)	
General Revenues									
General property taxes					7,682,095	-	7,682,095	-	-
Local sales and use taxes					2,111,038	-	2,111,038	-	-
Consumers' utility taxes					525,033	-	525,033	-	-
Business license taxes					1,020,193	-	1,020,193	-	-
Motor vehicle license taxes					227,080	-	227,080	-	-
Cigarette taxes					337,113	-	337,113	-	-
Lodging taxes					178,791	-	178,791	-	-
Restaurant food taxes					1,805,178	-	1,805,178	-	-
Other local taxes					145,759	-	145,759	-	-
Unrestricted revenues from use of property					311,776	-	311,776	-	-
Investment earnings					214,539	3,811	218,350	14	1
Revenue sharing from counties					1,118,627	-	1,118,627	-	-
Miscellaneous					821,534	12,219	833,753	333,077	-
Contribution from City of Franklin, Virginia					-	-	-	4,830,237	40,000
Grants and contributions not restricted to specific programs					1,528,752	-	1,528,752	-	-
Transfers in (out)					1,839,393	(1,839,393)	-	-	-
Total General Revenues and Transfers					19,866,901	(1,823,363)	18,043,538	5,163,328	40,001
Change in Net Position					2,871,423	2,011,380	4,882,803	1,383,850	1
Net Position (Deficit) - Beginning of Year (as Restated)					13,956,603	14,585,411	28,542,014	(880,000)	14,320
Net Position - End of Year					\$ 16,828,026	\$ 16,596,791	\$ 33,424,817	\$ 503,850	\$ 14,321

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia
Balance Sheet
Governmental Funds
As of June 30, 2021

	General Fund	Virginia Public Assistance	COVID-19	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 10,463,752	\$ 978,409	\$ 4,193,410	\$ 149,513	\$ 6,562,259	\$ 574,615	\$ 22,921,958
<i>Receivables - net of allowance for uncollectibles</i>							
Property taxes receivable	810,519	-	-	-	-	-	810,519
Accounts receivable	384,034	25,191	-	-	-	176,370	585,595
Notes receivable	-	-	-	-	-	66,049	66,049
Prepaid items	-	-	-	1,070,208	-	-	1,070,208
Due from other funds	969,874	-	-	-	-	-	969,874
Due from other governmental units	453,840	96,773	773,748	-	-	22,177	1,346,538
Total Assets	<u>\$ 13,082,019</u>	<u>\$ 1,100,373</u>	<u>\$ 4,967,158</u>	<u>\$ 1,219,721</u>	<u>\$ 6,562,259</u>	<u>\$ 839,211</u>	<u>\$ 27,770,741</u>
Liabilities							
Pooled cash deficit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,950	\$ 91,950
Accounts payable and accrued liabilities	844,526	34,209	-	5,200	-	86,197	970,132
Unearned revenues	-	-	4,967,158	-	-	-	4,967,158
Deposits held in escrow	46,500	-	-	-	-	34,634	81,134
Total Liabilities	891,026	34,209	4,967,158	5,200	-	212,781	6,110,374
Deferred Inflows of Resources	668,697	-	-	-	-	-	668,697
Fund Balances							
<i>Nonspendable</i>							
Long-term receivables - airport	969,874	-	-	-	-	-	969,874
<i>Restricted</i>							
Public safety	499,541	-	-	-	-	145,818	645,359
Health and welfare	-	1,066,164	-	-	-	-	1,066,164
Parks, recreation, and cultural	-	-	-	-	-	186,920	186,920
Community development	-	-	-	-	-	323,684	323,684
Debt service	353,823	-	-	-	6,562,259	-	6,916,082
Capital projects	-	-	-	1,214,521	-	-	1,214,521
<i>Committed</i>	244,349	-	-	-	-	-	244,349
<i>Assigned</i>	870,130	-	-	-	-	-	870,130
<i>Unassigned (Deficit)</i>	8,584,579	-	-	-	-	(29,992)	8,554,587
Total Fund Balances	<u>11,522,296</u>	<u>1,066,164</u>	<u>-</u>	<u>1,214,521</u>	<u>6,562,259</u>	<u>626,430</u>	<u>20,991,670</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,082,019</u>	<u>\$ 1,100,373</u>	<u>\$ 4,967,158</u>	<u>\$ 1,219,721</u>	<u>\$ 6,562,259</u>	<u>\$ 839,211</u>	<u>\$ 27,770,741</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2021

Total Fund Balances for Governmental Funds \$ 20,991,670

Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land and construction in progress	\$ 5,281,162
Buildings and improvements, net of accumulated depreciation	10,081,439
Infrastructure, net of accumulated depreciation	4,306,864
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>4,057,335</u>

Total Capital Assets 23,726,800

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - taxes and licenses 668,697

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	1,848,749
Deferred outflows of resources related to OPEB liabilities	2,193,351
Deferred inflows of resources related to OPEB liabilities	(743,671)
Deferred inflows of resources related to pensions	<u>(323,359)</u>

Total Deferred Outflows and Inflows of Resources 2,975,070

Liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds, capital leases, and notes payable with related premiums	(21,781,591)
Deferred outflows - refunding on debt	436,836
Accrued interest payable on debt	(157,946)
OPEB obligations	(4,162,687)
Net VRS pension liability	(5,232,301)
Compensated absences	<u>(636,522)</u>

Total (31,534,211)

Total Net Position of Governmental Activities \$ 16,828,026

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2021

	General Fund	Virginia Public Assistance	COVID-19	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues							
General property taxes	\$ 7,962,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,962,856
Other local taxes	6,350,185	-	-	-	-	-	6,350,185
Permits, privilege fees, and regulatory licenses	108,891	-	-	-	-	-	108,891
Fines and forfeitures	30,157	-	-	-	-	-	30,157
Revenue from the use of money and property	215,103	-	-	-	211,131	141,244	567,478
Charges for services	1,819,085	-	-	-	-	-	1,819,085
Miscellaneous	1,615,209	35,000	-	-	-	289,952	1,940,161
Recovered costs	2,250,142	-	-	-	-	-	2,250,142
<i>Intergovernmental</i>							
Revenue from the Commonwealth of Virginia	4,596,331	476,254	-	-	-	151,955	5,224,540
Revenue from the Federal Government	230,749	929,411	2,082,326	-	-	-	3,242,486
Total Revenues	25,178,708	1,440,665	2,082,326	-	211,131	583,151	29,495,981
Expenditures							
Current							
General government administration	2,966,298	-	-	-	-	-	2,966,298
Judicial administration	383,667	-	-	-	-	-	383,667
Public safety	8,542,170	-	2,082,326	226,149	-	48,931	10,899,576
Public works	2,350,511	-	-	1,248,685	-	-	3,599,196
Health and welfare	794,222	1,700,871	-	-	-	263,116	2,758,209
Education	4,830,237	-	-	-	-	-	4,830,237
Parks, recreation, and cultural	745,300	-	-	-	-	43,100	788,400
Community development	900,118	-	-	-	-	382,448	1,282,566
<i>Debt service</i>							
Principal retirement	86,492	-	-	-	2,630,429	-	2,716,921
Interest and other fiscal charges	24,330	-	-	-	956,450	-	980,780
Total Expenditures	21,623,345	1,700,871	2,082,326	1,474,834	3,586,879	737,595	31,205,850
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,555,363	(260,206)	-	(1,474,834)	(3,375,748)	(154,444)	(1,709,869)
Other Financing Sources (Uses)							
General obligation refunding bonds issued	-	-	-	-	1,895,000	-	1,895,000
Proceeds from capital leases	235,952	-	-	-	-	-	235,952
Issuance of debt	-	-	-	-	5,529,800	-	5,529,800
Payment to refund bond escrow agent	-	-	-	-	(1,815,604)	-	(1,815,604)
Transfers in	1,839,393	561,912	-	2,137,953	1,101,182	300,447	5,940,887
Transfers (out)	(2,544,447)	-	-	-	(1,557,047)	-	(4,101,494)
Total Other Financing Sources (Uses)	(469,102)	561,912	-	2,137,953	5,153,331	300,447	7,684,541
Net Change in Fund Balances	3,086,261	301,706	-	663,119	1,777,583	146,003	5,974,672
Fund Balances - Beginning of Year	8,436,035	764,458	-	551,402	4,784,676	480,427	15,016,998
Fund Balances - End of Year	<u>\$11,522,296</u>	<u>\$ 1,066,164</u>	<u>\$ -</u>	<u>\$ 1,214,521</u>	<u>\$ 6,562,259</u>	<u>\$ 626,430</u>	<u>\$ 20,991,670</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 5,974,672

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following is a computation of these differences.

Capital asset additions	\$ 2,196,106	
Capital asset disposals	(41,163)	
Depreciation expense	<u>(1,730,497)</u>	424,446

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. (280,761)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The following is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	2,630,429	
Proceeds from refunding of debt	(1,895,000)	
Proceeds from issuance of debt	(5,529,800)	
Payments to refund bond escrow agent	1,655,000	
Deferred outflows - refunding of debt	(6,059)	
Proceeds of new leases	(235,952)	
Lease payments	86,493	
Premium on bond issue and accrued interest payable	<u>109,806</u>	
Net Adjustment		(3,185,083)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in the following accounts are as follows:

Compensated absences	32,693	
Net pension liability	(1,389,079)	
Deferred inflows - OPEB	(395,902)	
Deferred inflows - VRS pension	774,193	
Deferred outflows - OPEB	570,557	
Deferred outflows - VRS pension	530,419	
Net OPEB liabilities	<u>(184,732)</u>	
Net Adjustment		<u>(61,851)</u>

Change in Net Position of Governmental Activities \$ 2,871,423

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Statement of Net Position

Proprietary Funds

As of June 30, 2021

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Assets					
Current Assets					
Cash and cash equivalents	\$ 2,470,930	\$ 1,079,497	\$ 9,923,936	\$ -	\$ 13,474,363
Receivables, net	375,122	174,265	1,406,213	12,143	1,967,743
Inventories	-	-	-	30,980	30,980
Total Current Assets	<u>2,846,052</u>	<u>1,253,762</u>	<u>11,330,149</u>	<u>43,123</u>	<u>15,473,086</u>
Noncurrent Assets					
Capital assets, net	<u>3,231,199</u>	<u>636,717</u>	<u>2,475,676</u>	<u>4,105,347</u>	<u>10,448,939</u>
Total Noncurrent Assets	<u>3,231,199</u>	<u>636,717</u>	<u>2,475,676</u>	<u>4,105,347</u>	<u>10,448,939</u>
Total Assets	<u>6,077,251</u>	<u>1,890,479</u>	<u>13,805,825</u>	<u>4,148,470</u>	<u>25,922,025</u>
Deferred Outflows of Resources					
Pension	121,110	54,553	174,039	15,801	365,503
OPEB	110,424	55,212	128,829	18,405	312,870
Loss on refunding	<u>14,468</u>	<u>5,869</u>	<u>16,948</u>	-	<u>37,285</u>
Total Deferred Outflows of Resources	<u>246,002</u>	<u>115,634</u>	<u>319,816</u>	<u>34,206</u>	<u>715,658</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,323,253</u>	<u>\$ 2,006,113</u>	<u>\$ 14,125,641</u>	<u>\$ 4,182,676</u>	<u>\$ 26,637,683</u>
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 66,323	\$ 35,671	\$ 759,807	\$ 26,585	\$ 888,386
Pooled cash deficit	-	-	-	74,366	74,366
Line of credit	-	230,000	55,439	-	285,439
Customers' deposits	-	-	458,039	-	458,039
Accrued interest payable	15,703	3,820	30,090	-	49,613
Due to other funds	-	-	-	969,874	969,874
Current portion of long-term liabilities	<u>336,335</u>	<u>287</u>	<u>249,343</u>	-	<u>585,965</u>
Total Current Liabilities	<u>418,361</u>	<u>269,778</u>	<u>1,552,718</u>	<u>1,070,825</u>	<u>3,311,682</u>
Noncurrent Liabilities, Net of Current Portion					
Pension liability	377,721	155,593	476,119	56,714	1,066,147
OPEB liabilities	141,074	67,522	242,357	33,761	484,714
Compensated absences	56,620	5,940	22,254	6,042	90,856
Long-term notes and bonds and premiums	<u>1,318,467</u>	<u>519,093</u>	<u>3,083,687</u>	-	<u>4,921,247</u>
Total Noncurrent Liabilities	<u>1,893,882</u>	<u>748,148</u>	<u>3,824,417</u>	<u>96,517</u>	<u>6,562,964</u>
Total Liabilities	<u>2,312,243</u>	<u>1,017,926</u>	<u>5,377,135</u>	<u>1,167,342</u>	<u>9,874,646</u>
Deferred Inflows of Resources					
OPEB	16,508	7,852	28,286	3,926	56,572
Pension	<u>35,184</u>	<u>11,577</u>	<u>58,469</u>	<u>4,444</u>	<u>109,674</u>
Total Deferred Inflows of Resources	<u>51,692</u>	<u>19,429</u>	<u>86,755</u>	<u>8,370</u>	<u>166,246</u>
Net Position					
Net investment in capital assets	2,211,024	371,269	2,139,405	4,096,204	8,817,902
Restricted for capital projects	620,159	248,064	2,979,811	-	3,848,034
Unrestricted (Deficit)	<u>1,128,135</u>	<u>349,425</u>	<u>3,542,535</u>	<u>(1,089,240)</u>	<u>3,930,855</u>
Total Net Position	<u>3,959,318</u>	<u>968,758</u>	<u>8,661,751</u>	<u>3,006,964</u>	<u>16,596,791</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 6,323,253</u>	<u>\$ 2,006,113</u>	<u>\$ 14,125,641</u>	<u>\$ 4,182,676</u>	<u>\$ 26,637,683</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 3,308,959	\$ 1,312,689	\$ 14,606,746	\$ 90,741	\$ 19,319,135
Miscellaneous	347	-	11,527	345	12,219
Operating grants - state	-	-	-	9,017	9,017
Operating grants - federal	-	-	-	58,614	58,614
	<u>3,309,306</u>	<u>1,312,689</u>	<u>14,618,273</u>	<u>158,717</u>	<u>19,398,985</u>
Total Operating Revenues					
Operating Expenses					
Salaries and wages	410,795	138,597	620,730	44,631	1,214,753
Fringe benefits	166,202	88,655	148,326	18,788	421,971
Contractual services	386,428	-	117,592	13,211	517,231
Repairs and maintenance	82,730	61,883	204,172	14,288	363,073
Utilities	234,005	-	31,212	22,372	287,589
Insurance	77,194	7,072	19,458	10,791	114,515
Materials and supplies	215,455	29,061	8,909,432	17,072	9,171,020
Other charges	72,719	407,838	53,955	1,213	535,725
Payment to general fund for services and taxes	433,515	287,391	710,577	20,612	1,452,095
Depreciation and amortization	499,075	109,820	319,850	347,816	1,276,561
	<u>2,578,118</u>	<u>1,130,317</u>	<u>11,135,304</u>	<u>510,794</u>	<u>15,354,533</u>
Total Operating Expenses					
Operating Income (Loss)	731,188	182,372	3,482,969	(352,077)	4,044,452
Nonoperating Revenues (Expenses)					
Interest income	-	-	3,811	-	3,811
Interest expense and issuance costs	(82,868)	(24,394)	(90,228)	-	(197,490)
	<u>(82,868)</u>	<u>(24,394)</u>	<u>(86,417)</u>	<u>-</u>	<u>(193,679)</u>
Total Nonoperating Revenues (Expenses)					
Income (Loss) Before Transfers	648,320	157,978	3,396,552	(352,077)	3,850,773
Transfers in	-	-	-	-	-
Transfers (out)	(195,000)	-	(1,644,393)	-	(1,839,393)
	<u>(195,000)</u>	<u>-</u>	<u>(1,644,393)</u>	<u>-</u>	<u>(1,839,393)</u>
Total Nonoperating Revenues (Expenses)					
Change in Net Position	453,320	157,978	1,752,159	(352,077)	2,011,380
Total Net Position - Beginning of Year	<u>3,505,998</u>	<u>810,780</u>	<u>6,909,592</u>	<u>3,359,041</u>	<u>14,585,411</u>
Total Net Position - End of Year	<u>\$ 3,959,318</u>	<u>\$ 968,758</u>	<u>\$ 8,661,751</u>	<u>\$ 3,006,964</u>	<u>\$ 16,596,791</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Electric Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 3,294,045	\$ 1,287,984	\$ 14,570,562	\$ 97,962	\$ 19,250,553
Operating grants	-	-	-	67,631	67,631
Payments to suppliers for goods and services	(1,657,268)	(793,464)	(10,148,961)	(73,541)	(12,673,234)
Payments to and on behalf of employees	<u>(558,818)</u>	<u>(236,701)</u>	<u>(843,625)</u>	<u>(61,277)</u>	<u>(1,700,421)</u>
Net Cash Provided by Operating Activities	1,077,959	257,819	3,577,976	30,775	4,944,529
Cash Flows from Noncapital Financing Activities					
Transfers (to) other funds	<u>(195,000)</u>	<u>-</u>	<u>(1,644,393)</u>	<u>-</u>	<u>(1,839,393)</u>
Net Cash Used in Noncapital Financing Activities	(195,000)	-	(1,644,393)	-	(1,839,393)
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(371,308)	(261,514)	(225,000)	(132,936)	(990,758)
Sale of capital assets	-	-	-	96,590	96,590
Proceeds of issuance of debt	643,000	257,200	-	-	900,200
Proceeds of line of credit	-	230,000	-	-	230,000
Proceeds of refunding of debt	-	-	5,650	-	5,650
Payment of refunded debt	4,823	565	-	-	5,388
Payment on long-term debt	(321,000)	-	(239,000)	-	(560,000)
Interest paid on capital debt	<u>(72,806)</u>	<u>(16,589)</u>	<u>(127,666)</u>	<u>-</u>	<u>(217,061)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	(117,291)	209,662	(586,016)	(36,346)	(529,991)
Cash Flows from Investing Activities					
Interest income	<u>-</u>	<u>-</u>	<u>3,811</u>	<u>-</u>	<u>3,811</u>
Net Cash Provided by Investing Activities	-	-	3,811	-	3,811
Net Increase (Decrease) in Cash and Cash Equivalents	765,668	467,481	1,351,378	(5,571)	2,578,956
Cash and Cash Equivalents - Beginning of Year	<u>1,705,262</u>	<u>612,016</u>	<u>8,572,558</u>	<u>5,571</u>	<u>10,895,407</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,470,930</u>	<u>\$ 1,079,497</u>	<u>\$ 9,923,936</u>	<u>\$ -</u>	<u>\$ 13,474,363</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 731,188	\$ 182,372	\$ 3,482,969	\$ (352,077)	\$ 4,044,452
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</i>					
Depreciation expense	499,075	109,820	319,850	347,816	1,276,561
(Increase) decrease in accounts receivable	(15,261)	(24,705)	(15,152)	6,876	(48,242)
(Increase) decrease in inventories	-	-	-	(23,660)	(23,660)
(Increase) decrease in deferred outflows - pension	(30,940)	(12,150)	(47,998)	(3,512)	(94,600)
(Increase) decrease in deferred outflows - OPEB	(17,455)	(8,727)	(20,364)	(2,909)	(49,455)
Increase (decrease) in accounts payable and accrued liabilities	(155,222)	(219)	(102,563)	(24,688)	(282,692)
Increase (decrease) in pooled cash deficit	-	-	-	74,366	74,366
Increase (decrease) in compensated absences	13,080	(8,053)	(17,589)	1,794	(10,768)
Increase (decrease) in net pension liability	81,027	31,820	125,698	9,197	247,742
Increase (decrease) in deferred inflows - pension	(45,160)	(17,735)	(70,057)	(5,126)	(138,078)
Increase (decrease) in OPEB liability	9,652	1,811	(53,344)	905	(40,976)
Increase (decrease) in deferred inflows - OPEB	7,975	3,585	9,085	1,793	22,438
Increase (decrease) in customer deposits	<u>-</u>	<u>-</u>	<u>(32,559)</u>	<u>-</u>	<u>(32,559)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,077,959</u>	<u>\$ 257,819</u>	<u>\$ 3,577,976</u>	<u>\$ 30,775</u>	<u>\$ 4,944,529</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Statement of Fiduciary Net Position

Custodial Funds

As of June 30, 2021

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 114,278
Accounts receivable	<u>14,341</u>
Total Assets	<u>\$ 128,619</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 7,815
Fiduciary Net Position	<u>120,804</u>
Total Liabilities and Fiduciary Net Position	<u>\$ 128,619</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	<u>Custodial Funds</u>
Additions	
Miscellaneous income	\$ 118,875
Revenue from Commonwealth of Virginia	35,230
Revenue from City of Franklin	644,967
Contributions from members	25,567
Local grant funds and other donations	71,560
Investment earnings - interest income	<u>1</u>
Total Additions	896,200
Deductions	
Program and administrative expenses	<u>897,522</u>
Net Increase (Decrease) in Fiduciary Net Position	(1,322)
Net Position - Beginning	<u>122,126</u>
Net Position - Ending	<u>\$ 120,804</u>

The accompanying notes to the financial statements are an integral part of this statement.

City of Franklin, Virginia

Notes to the Financial Statements

Year Ended June 30, 2021

1 Summary of Significant Accounting Policies

Narrative Profile

The City of Franklin, Virginia (City) is a political subdivision of the Commonwealth of Virginia operating under the council-manager form of government. The elected seven-member City Council, vested with legislative powers, appoints the City Manager who is the executive and administrative head of the City's government.

The City engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation, and cultural, and community development.

The financial statements of the City of Franklin, Virginia have been prepared in conformity with accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

A. Government-wide and Fund Financial Statements

Management's Discussion and Analysis

GASB Statement No. 34 and GASB Statement No. 37 require financial statements to be accompanied by a narrative introduction of the basic financial statements and an analytical overview of the government's financial activities in the form of Management's Discussion and Analysis (MD&A).

Government-wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenue and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position

The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net position of the government is broken down into three categories – 1) Net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Included in direct expenses are certain indirect costs that have been allocated to the various programs. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments, however, revise their original budget over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments will continue to provide budgetary comparison information in their annual report including the government's original budget and a comparison of final budget and actual results.

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations. Annual operating budgets are adopted by ordinance for the General Fund, Debt Service Fund, Capital Projects Fund, Water and Sewer Fund, Solid Waste, Electric Fund, Airport Fund, and Special Revenue Funds. However, the Consolidated Grant Funds and Fiduciary Funds are excluded from the annual operating budget.

B. Other Related Organizations

Included in the City's Financial Report – None

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The City applies all GASB pronouncements.

Government-Wide and Fund Accounting Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund accounting financial statements. The focus is on either the City as a whole or major individual fund (within the fund financial statements). Both the government-wide and fund accounting financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities is reported using the economic resources measurement focus and the accrual basis of accounting which reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource measurement focus using the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund-based financial statements with the governmental column of the government-wide presentation.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the GASB 34 model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statements of Net Position and Statement of Activities and all proprietary funds and trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

With this measurement focus, all assets and all liabilities associated with the operating of these activities are included on their Statement of Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The Statement of Net Position and Statement of Activities of the Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet on the funds statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balances.

The fund financial statements of the Governmental Funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenues and other local taxes, the term “available” is limited to collections within sixty days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The focus of governmental and proprietary fund financial statements is on major funds. Fund statements present the financial information of each major fund in a separate column. Nonmajor funds are aggregated and displayed in a single column.

The main operating fund, the general fund, is always reported as a major fund. Other individual governmental or enterprise funds are reported in separate columns as major funds based on the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the fund are at least 10% of the corresponding total for all funds of that category or type (that is, total governmental or total enterprise funds), and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that management believes is particularly important to financial statement users may be reported as a major fund.

- **Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed.

- **General Fund**

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal grants and subsidies, licenses, permits, charges for services, and interest income. A significant part of the General Fund’s revenues is transferred to other funds and component units. The General Fund is considered a major fund.

- **Special Revenue Funds**

The Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Funds of the City are as follows:

- *Virginia Public Assistance Fund* – accounts for revenues and expenditures related to services provided by the Department of Social Services. Most revenues are derived from the Commonwealth of Virginia and the federal government. This fund is considered a major fund.
- *COVID-19 Fund* – accounts for revenues and expenditures related to activities required in protecting the City's citizens from business and personal losses sustained during the COVID-19 pandemic.
- *Children Services Act Fund* – accounts for revenues and expenditures related to the Children Services Act for At-risk Youth and Families. Revenues are derived from categorical aid received from the Commonwealth of Virginia.
- *Regional Fire Training Grounds Fund* – accounts for revenues and expenditures related to maintenance of the Regional Fire Training Grounds. Most revenues are derived from rental income for use by other localities.
- *Foundation Grants Fund* – accounts for revenues and expenditures related to local grants. Revenues are derived from local grants.
- *Community Development Block Grant Fund* – accounts for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.
- *Community Development Downtown Grant Fund* – accounts for revenues and expenditures related to development and rehabilitation of the downtown area. Revenues are derived from categorical aid received from the Commonwealth of Virginia and the federal government.
- *Madison Street Project Fund* – accounts for revenues and expenses related to the Madison Street Community Improvement Project Fund.
- *Western Tidewater Home Consortium Fund* – accounts for revenues and expenditures related to a joint venture with the City of Suffolk and Isle of Wight County to provide affordable housing.
- *Neighborhood Stabilization Program Fund* – accounts for a federal grant and the related expenditures. The grant is to be used for community development.
- *Cobbtown Grant Fund* – accounts for revenues and expenditures related to development and rehabilitation of the Cobbtown area of the City. Revenues are derived from categorical aid received from the Commonwealth of Virginia and the federal government.
- *Police Federal Forfeiture Fund* – accounts for revenues and expenditures related to police forfeitures. Revenues are derived from entitlement funds received from the federal government.

- *Police State Forfeiture Fund* – accounts for revenues and expenditures related to police forfeitures. Revenues are derived from entitlement funds received from the Commonwealth of Virginia.
- *Police Evidence Holding Fund* – accounts for revenues and expenditures related to police evidence that is held for the courts.
- *Camp Homestead Fund* – accounts for revenues and expenditures related to the maintenance and upkeep of the Camp family home on Homestead Lane.
- *Economic Development Fund* – accounts for revenues and expenditures related to economic development efforts of the City including rental of the building in Pretlow Industrial Park and operation of the incubator building.
- *Willie Camp Younts Fund* – accounts for revenues and expenditures related to the maintenance of the Willie Camp Younts cemetery.
- *Southview Cemetery Trust Fund* – accounts for revenues and expenditures of the Southview Cemetery.
- *Cemetery Perpetual Care Trust Fund* – accounts for revenues and expenditures of the Cemetery.
- *Charles Smith Cemetery Trust Fund* – accounts for revenues and expenditures of the Charles Smith Cemetery.

- **Debt Service Fund**

The Debt Service Fund accounts for and reports resources that are restricted, committed or assigned to expenditure for principal and interest, reports financial resources being accumulated for future debt service, and accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The Debt Service Fund is considered a major governmental fund.

- **Capital Projects Fund**

The Capital Projects Fund accounts and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major governmental fund.

- **Proprietary Fund**

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the primary government's business activities are accounted for through proprietary funds. The measurement focus is on the determination of net income, financial position, and cash flows. Proprietary Funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Proprietary Funds are charges for services. Operating expenses include cost of sales and services, personnel, contractual services, and depreciation. The City applies all current GASB pronouncements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Exceptions to this general rule are other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The City's proprietary funds consist of only enterprise funds.

- *Enterprise Funds*

The Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

- *Water and Sewer Fund* – accounts for the provision of water and sewer services to City residents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operating, maintenance, billing, collections, financing and related debt service, and capital assets of the water and sewage systems.
- *Electric Fund* – accounts for the provision of electrical services to City residents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, billing, collections, financing and related debt service, and capital assets of the electrical systems.
- *Airport Fund* – accounts for the operations of the City-owned airport. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, billing, collections, financing and related debt service, and capital assets of the airport.
- *Solid Waste Fund* – accounts for the provision of garbage services to City residents and businesses. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operating, billing, collections, financing and related debt service and capital assets of solid waste operations.

- **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individual, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements.

- **Trust and Custodial Funds**

Trust and Custodial Funds include nonexpendable trust funds and custodial funds. Nonexpendable trust funds are accounted for and reported as Proprietary Fund types because capital maintenance is critical. Nonexpendable trust funds account for the expenditure of income earned by principal held in trust, the principal amount of which cannot be expended.

- **Custodial Funds**

Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The following are custodial funds reported by the City:

- *Special Welfare – SSI Fund* – account for receipts of welfare checks and foster children support checks from the state government and payments made on behalf of individuals.
- *Flexible Spending Fund* – accounts for monies received from employees to pay for medical claims.
- *Smart Beginnings Fund* – accounts for monies received to promote early childhood growth.
- *Employees Emergency Trust* – accounts for monies received from employees to be used for emergencies in the City.
- *Fire and Rescue Volunteers Fund* – accounts for revenues and expenditures related to the activities of the fire and rescue volunteers.
- *Special Welfare Fund* – This fund accounts for monies provided primarily through private donors for assistance of children in foster care, needy senior citizens, and others. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.
- *Children’s Center Fund* – accounts for revenues and expenditures related to activities dealing with the Children’s Center Fund.

- **Discretely Presented Component Units**

- *City of Franklin Public Schools*

The City of Franklin Public Schools (School Board) is responsible for elementary and secondary education within the City. The Schools are fiscally dependent upon the City because the City Council approves the annual budget of the Schools, levies the necessary taxes to finance the Schools’ operations, and approves the borrowing of money. The School Board is reported in a separate column to emphasize that it is legally separate from the City. During the current year, the City contributed \$4,830,237 to the School Board from the General Fund, exclusive of debt service. The School Board does not issue separate financial statements.

- *School Operating Fund* – accounts for revenues and expenditures relating to the operation of the City of Franklin Public Schools. Revenues are derived from the General Fund and from state and federal funds.
- *Cafeteria Fund* – accounts for revenues and expenditures relating to the operation of school cafeterias. Revenues are derived from state and federal funds.
- *School Textbook Fund* – accounts for revenues and expenditures relating to the purchase of school textbooks. Revenues are derived from state and federal funds.
- *School Activity Fund* – accounts for revenues and expenditures relating to special student activities within the individual schools. Revenues are derived from student and teacher-related fees and activities during the course of the school year.

- *Industrial Development Authority*

The Industrial Development Authority of the City of Franklin (IDA) was established under the Industrial Development and Revenue Bond Act – *Code of Virginia*. A separate board appointed by the City Council governs the IDA. The IDA is authorized to acquire, own, lease, and dispose of properties and to conduct related activities to promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate or to remain in the City. In prior years, the City made significant capital contributions toward properties the IDA developed and marketed. The City is involved in the day-to-day operations of the IDA, including the determination of its operating budget. Financial statements of the IDA are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the other supplementary information section. The IDA does not issue separate financial statements.

D. Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the required supplementary information:

- At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is formulated from estimates of revenues and expected expenditures from each department. The School Board is treated as a single expenditure line item.
- When the City Manager submits the proposed budget to City Council, he also recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
- City Council then holds public hearings on the proposed budget. Notice of such public hearings must appear in a local newspaper not less than seven days prior to the hearing.
- The budget must be approved by a majority vote of City Council and legally adopted before July 1. If City Council does not adopt the proposed budget before July 1, the budget as submitted is automatically adopted.
- Additional appropriations may be made by City Council only if there is an undesignated fund balance or additional funding becomes available.
- The City Manager is authorized to transfer budgeted amounts within departments up to \$20,000. Expenditures over this amount must be approved by City Council. The School Board is authorized to transfer budgeted amounts within the school system's categories.
- Appropriations lapse on June 30 for all City units.
- All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America as applicable to governmental entities.

Formal budgetary information is employed as a management control device. Annual operating budgets are adopted by ordinance passed by City Council for the General Fund, certain Special Revenue Funds, the Debt Service Fund, and the Proprietary Funds. Project length financial plans are adopted for the Capital Projects Fund and certain Special Revenue Funds.

Budgets for proprietary fund types are prepared on the accrual basis of accounting. The General, Special Revenue, and Debt Service funds' budgets are adopted on the modified accrual basis of accounting.

E. Allowance for Uncollectible Amounts

The City calculates its allowance for uncollectible property taxes, refuse collection, and utility service charges using historical collection data. At June 30, 2021, the allowance attributed to the General Fund amounted to \$119,036 and Enterprise Fund in the amount of \$1,731,665.

F. Cash and Cash Equivalents

Cash and cash equivalents are stated at cost which approximates fair value. Interest income on investments is allocated to the appropriate funds based upon the average monthly cash balance of each fund. Interest income is accrued as earned.

G. Inventories

Inventories of materials and supplies in the governmental and proprietary fund types are recorded at cost. The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed (consumption method) on a first-in, first-out basis.

H. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Depreciation is recorded using the straight-line method over the capital assets' estimated useful lives on a government-wide basis.

Capital outlays of the proprietary funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis. Interest expense is capitalized on proprietary fund type assets acquired with tax-exempt debt. The amount of interest expense capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest income earned on invested proceeds over the same period.

The City's capitalization policy threshold is \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Assets acquired under capital leases are capitalized at the net present value of all lease payments.

The estimated useful lives of capital assets are as follows:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Improvements other than buildings	20-50 years
Machinery and equipment	3-50 years
Infrastructure	10-30 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

I. Compensated Absences

City employees are granted vacation and sick pay in varying amounts based on years of service. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination or death, may be compensated for certain amounts at specified rates. The cost of accumulated vacation and sick pay expected to be paid from future expendable resources is accounted for as a liability in the government-wide statements and proprietary fund statements.

J. Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and Virginia Retirement System (VRS) Teacher Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's and VRS Teacher Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Health Insurance Credit

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Political Subdivision Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Teacher Employee Virginia Local Disability Program

The Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Teacher Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Virginia Local Disability Program OPEB, and the Teacher Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Teacher Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences between projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The City considers revenues available if they are collected within 60 days of the end of the fiscal year.

R. Statement of Cash Flows

For purposes of the Statement of Cash Flows, all highly liquid investments (including restricted assets) with original purchased maturities of three-months or less are considered to be cash equivalents.

S. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses. Actual results could differ from those estimates and assumptions.

T. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

U. Credit Risk

The assessed value of real estate and personal property for the City's ten largest taxpayers comprise 9.25% and 10.90% of the City's real estate and personal property tax base, respectively. Concentration of credit risk with respect to receivables is limited due to the large number of citizens comprising the City's taxpayer base.

V. Net Position

Net position in the government-wide financial statements are classified as Net Investment in Capital Assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

W. Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's Enterprise Funds' functions. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

X. Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance** – amounts that cannot be expended as they are either: (a) in nonspendable form; or, (b) legally or contractually required to be maintained intact by the governmental entity. Items in a nonspendable form include inventories and prepaid items. The corpus of an endowment is an example of an amount that is legally or contractually required to be maintained intact and is not available for expenditure;
- **Restricted fund balance** – amounts that are legally constrained for a specific purpose by external parties, constitutional provisions, bond indenture, or enabling legislation. External parties include creditors, grantors, contributors or laws and regulations. Enabling legislation includes any act of law or regulation that authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the enabling legislation. An act of law can originate external to the government or be self-imposed through the enactment of an ordinance by the governmental body. The expenditure of resources restriction must originate within the enabling legislation; whereas funds restricted outside originating legislation will be considered committed or assigned.
- **Committed fund balance** – amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation;
- **Assigned fund balance** – amounts constrained for a specific purpose by the City Manager. Assignments shall not create a deficit in any fund or segment of fund balance;
- **Unassigned fund balance** – amounts not classified as nonspendable, restricted, committed, or assigned as noted above. The General Fund is the only fund that would report a positive unassigned fund balance.

When fund balance resources are available for a specific purpose in more than one classification, it is the Council's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes). The City's Fund Balance Policy adopted by the Governing Body delegates the authority to assign fund balances for specific purposes to the City Manager.

Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City.

It is the City Council's policy that there shall be retained in the General Fund an unassigned fund balance of 15% to 25% of the following year's projected expenditures.

Y Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5 and December 5. Personal property taxes are due and collectible annually on December 5. The City bills and collects its own property taxes.

Z. Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

AA. New GASB Pronouncements

During the fiscal year ended June 30, 2021, the City adopted the following GASB statement:

Statement No. 84, *Fiduciary Activities* – This statement requires fiduciary activities to be reported in the basic financial statements because (a) their related assets are controlled by the government or (b) fiduciary component units have been identified through the component unit evaluation. This statement clarifies the definitions of the three existing fiduciary fund categories associated with trusts that meet specific criteria, and establishes a new custodial fund category for all other fiduciary activity not required to be reported within a trust fund. The City's previously reported Agency Funds have been eliminated and are now reported in the fund financial statements because 1) the assets associated with the activity are controlled by the City, 2) the assets associated with the activity are not derived from the City's own-source revenues, and 3) the assets are for the benefit of individuals and the City does not have administrative involvement with the assets or direct financial involvement with the assets.

The Governmental Accounting Standards Board (GASB) has issued several new accounting pronouncements that will impact future fiscal years' financial statement presentations. Management has not yet determined what impacts, if any, that the implementation of the following GASB statements will have on the City.

- Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.
- Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.
- Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.
- Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.
- Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) established that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

2 Deposits

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

The City’s investment policy authorizes the City to purchase investments consistent with obligations permitted by statutes of the Commonwealth of Virginia. The policy requires that all investments shall be held by the City or purchased by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction.

Credit Risk of Debt Securities

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, or Fitch Investor’s Service. Corporate notes, negotiable certificates of deposit and bank deposit notes maturing in less than that one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investors Service.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organizations. The City did not have any investments at June 30, 2021.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. All deposits of the City are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by the Federal Deposit Insurance Corporation (FDIC).

Concentration of Credit Risk

The City does not have a formal investment policy regarding concentration of credit risk of its investments.

3 Interfund Receivables and Payables

Interfund balances at June 30, 2021 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds		
From Airport to General	\$ 969,874	\$ -
Proprietary Funds		
From Airport to General	-	969,874
Total	<u>\$ 969,874</u>	<u>\$ 969,874</u>
Component Unit - School Board		
School operating fund	\$ -	\$ 83,819
Cafeteria fund	1,725	-
Textbook fund	82,094	-
Total	<u>\$ 83,819</u>	<u>\$ 83,819</u>

The receivables and payables between funds account for the time differences in recording interfund transfers.

Interfund transfers for the year ended June 30, 2021 were as follows:

	<u>Purpose - Funding for:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
City of Franklin, Virginia			
General Fund			
Transfers between General Fund and Electric Fund	Support of general fund operations	\$ 1,644,393	\$ -
Transfers between General Fund and Water and Sewer Fund	Support of general fund operations	195,000	-
From General Fund to Capital Projects Fund	Support of Pay-As-You-Go Projects	-	580,906
From General Fund to Nonmajor Governmental Funds	Support of special revenue programs	-	300,447
From General Fund to Virginia Public Assistance Fund	Support of VPA fund	-	561,912
From General Fund to Debt Service Fund	Support of debt service fund	-	1,101,182
Nonmajor Governmental Funds			
From General Fund to nonmajor governmental funds	Support of special revenue programs	300,447	-
Capital Projects			
From Debt Service Fund to Capital Projects Fund	Support of Pay-As-You-Go Projects	2,137,953	-
Virginia Public Assistance Fund			
From General Fund to Virginia Public Assistance Fund	Support of VPA fund	561,912	-
Debt Service Fund			
From General Fund to Debt Service Fund	Payment of City debt	1,101,182	-
From Debt Service Fund to Capital Projects Fund	Support of Pay-As-You-Go Projects	-	1,557,047
Subtotal - Governmental Funds		<u>5,940,887</u>	<u>4,101,494</u>
Proprietary Funds			
Transfers between General Fund and Electric Fund	Support of general fund operations	-	1,644,393
Transfers between General Fund and Water and Sewer Fund	Support of general fund operations	-	195,000
Subtotal - Proprietary Funds		<u>-</u>	<u>1,839,393</u>
		<u>\$ 5,940,887</u>	<u>\$ 5,940,887</u>

4 Transfer to Component Units/Transfer from Primary Government

Details of the primary government due to component units as of June 30, 2021 are as follows:

		<u>Transfers In</u>	<u>Transfers Out</u>
City of Franklin, Virginia to Component Units			
Primary Government - City of Franklin, Virginia			
To Component Unit - IDA	Support of community development	\$ -	\$ 40,000
Component Unit - IDA			
From Primary Government - City of Franklin, Virginia	Support of community development	40,000	-
Primary Government - City of Franklin, Virginia			
To Component Unit - School Board	Support of local school system	-	4,830,237
Component Unit - School Board			
From Primary Government - City of Franklin, Virginia	Support of local school system	<u>4,830,237</u>	<u>-</u>
		<u>\$4,870,237</u>	<u>\$4,870,237</u>
Within Component Unit - School Board			
To Textbook Fund from School Board Operating Fund to support operations	Support of local school system	<u>\$ 76,330</u>	<u>\$ 76,330</u>

5 Receivables

Receivables in the fund statements at June 30, 2021 are as follows:

Primary Government

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>Nonmajor Governmental Funds</u>	<u>Business- type Activities</u>	<u>Total</u>
Receivables					
Property taxes	\$ 929,555	\$ -	\$ -	\$ -	\$ 929,555
Accounts receivable	<u>384,034</u>	<u>25,191</u>	<u>176,370</u>	<u>3,699,408</u>	<u>4,285,003</u>
Total Receivables	1,313,589	25,191	176,370	3,699,408	5,214,558
Less: Allowance for Uncollectible Accounts					
Property taxes	119,036	-	-	-	119,036
Utility and other service charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,731,665</u>	<u>1,731,665</u>
Total Allowance for Uncollectible Accounts	<u>119,036</u>	<u>-</u>	<u>-</u>	<u>1,731,665</u>	<u>1,850,701</u>
Receivables, Net					
Property taxes	810,519	-	-	-	810,519
Accounts receivable	<u>384,034</u>	<u>25,191</u>	<u>176,370</u>	<u>1,967,743</u>	<u>2,553,338</u>
Receivables, Net	<u>\$1,194,553</u>	<u>\$ 25,191</u>	<u>\$ 176,370</u>	<u>\$1,967,743</u>	<u>\$3,363,857</u>

6 Due from Other Governments

Due from other governments consists of the following at June 30, 2021:

Primary Government

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>COVID-19</u>	<u>Other Governmental Funds</u>	<u>Total</u>	<u>Component Unit - School Board</u>
Commonwealth of Virginia						
State and local sales taxes	\$ 355,558	\$ -	\$ -	\$ -	\$ 355,558	\$ 144,711
Communications tax	63,788	-	-	-	63,788	-
Auto rental tax	2,244	-	-	-	2,244	-
Compensation Board	16,790	-	-	-	16,790	-
911 funds	7,501	-	-	-	7,501	-
Other state funds	7,959	-	-	-	7,959	-
Public assistance	-	96,773	-	22,177	118,950	-
	<u>453,840</u>	<u>96,773</u>	<u>-</u>	<u>22,177</u>	<u>572,790</u>	<u>144,711</u>
Federal Government						
Vocational Education	-	-	-	-	-	39,039
Special Education Cluster	-	-	-	-	-	66,287
Title II	-	-	-	-	-	15,584
Title I	-	-	-	-	-	102,319
CARES Act ESSERF	-	-	773,748	-	773,748	202,773
Other federal funds	-	-	-	-	-	24,409
School food program	-	-	-	-	-	60,742
	<u>-</u>	<u>-</u>	<u>773,748</u>	<u>-</u>	<u>773,748</u>	<u>511,153</u>
	<u>\$ 453,840</u>	<u>\$ 96,773</u>	<u>\$ 773,748</u>	<u>\$ 22,177</u>	<u>\$ 1,346,538</u>	<u>\$ 655,864</u>

The remainder of this page is left blank intentionally.

7 Capital Assets

A summary of changes in capital assets for the primary government follows:

Governmental Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land	\$ 5,281,162	\$ -	\$ -	\$ 5,281,162
Total Capital Assets Not Being Depreciated	5,281,162	-	-	5,281,162
Capital Assets Being Depreciated				
Buildings	18,424,533	-	-	18,424,533
Improvements other than buildings	3,308,660	96,090	-	3,404,750
Machinery, equipment, other	12,483,475	1,304,769	128,887	13,659,357
Infrastructure	19,682,208	795,247	-	20,477,455
Total Capital Assets Being Depreciated	53,898,876	2,196,106	128,887	55,966,095
Less: Accumulated depreciation				
Buildings	8,439,479	475,528	-	8,915,007
Improvements other than buildings	2,722,584	110,253	-	2,832,837
Machinery, equipment, other	9,056,825	632,921	87,724	9,602,022
Infrastructure	15,658,796	511,795	-	16,170,591
Total Accumulated Depreciation	35,877,684	1,730,497	87,724	37,520,457
Subtotal Capital Assets, Net	18,021,192	465,609	41,163	18,445,638
Total Capital Assets, Governmental Activities, Net	\$ 23,302,354	\$ 465,609	\$ 41,163	\$ 23,726,800

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia 1950, as amended, has changed the reporting of local capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligations for any school property which is payable over more than one year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. At this time, the City has no school financed assets reported in the Primary Government for financial reporting purposes.

Depreciation expense for governmental activities was charged to functions of the primary government as follows:

General governmental administration	\$ 441,188
Public safety	482,842
Public works	564,153
Health and welfare	56,747
Parks, recreation, and cultural	180,125
Community development	<u>5,442</u>
Total	<u>\$ 1,730,497</u>

A summary of changes in capital assets for the enterprise funds follows:

Business-Type Activities

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Water and Sewer Fund				
Other Capital Assets				
Infrastructure	\$ 16,981,272	\$ 299,944	\$ -	\$ 17,281,216
Machinery and equipment	<u>2,439,838</u>	<u>71,364</u>	<u>7,192</u>	<u>2,504,010</u>
Total Other Capital Assets	19,421,110	371,308	7,192	19,785,226
Less: Accumulated depreciation				
Infrastructure	14,491,759	322,406	-	14,814,165
Machinery and equipment	<u>1,570,385</u>	<u>176,669</u>	<u>7,192</u>	<u>1,739,862</u>
Total Accumulated Depreciation	<u>16,062,144</u>	<u>499,075</u>	<u>7,192</u>	<u>16,554,027</u>
Subtotal Capital Assets, Net	<u>3,358,966</u>	<u>(127,767)</u>	<u>-</u>	<u>3,231,199</u>
Total Water and Sewer Fund	<u>\$ 3,358,966</u>	<u>\$ (127,767)</u>	<u>\$ -</u>	<u>\$ 3,231,199</u>
Solid Waste Fund				
Other Capital Assets				
Infrastructure	\$ 223,500	\$ -	\$ -	\$ 223,500
Machinery and equipment	<u>1,566,711</u>	<u>261,514</u>	<u>128,195</u>	<u>1,700,030</u>
Total Other Capital Assets	1,790,211	261,514	128,195	1,923,530
Less: Accumulated depreciation				
Infrastructure	223,500	-	-	223,500
Machinery and equipment	<u>1,081,688</u>	<u>109,820</u>	<u>128,195</u>	<u>1,063,313</u>
Total Accumulated Depreciation	<u>1,305,188</u>	<u>109,820</u>	<u>128,195</u>	<u>1,286,813</u>
Subtotal Capital Assets, Net	<u>485,023</u>	<u>151,694</u>	<u>-</u>	<u>636,717</u>
Total Solid Waste Fund	<u>\$ 485,023</u>	<u>\$ 151,694</u>	<u>\$ -</u>	<u>\$ 636,717</u>

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Electric Fund				
Other Capital Assets				
Infrastructure	\$ 12,745,175	\$ -	\$ -	\$ 12,745,175
Buildings and improvements	34,966	-	-	34,966
Machinery and equipment	<u>2,615,059</u>	<u>225,000</u>	<u>120,548</u>	<u>2,719,511</u>
Total Other Capital Assets	15,395,200	225,000	120,548	15,499,652
Less: Accumulated depreciation				
Infrastructure	10,680,552	223,813	-	10,904,365
Buildings and improvements	34,966	-	-	34,966
Machinery and equipment	<u>2,109,156</u>	<u>96,037</u>	<u>120,548</u>	<u>2,084,645</u>
Total Accumulated Depreciation	<u>12,824,674</u>	<u>319,850</u>	<u>120,548</u>	<u>13,023,976</u>
Subtotal Capital Assets, Net	<u>2,570,526</u>	<u>(94,850)</u>	<u>-</u>	<u>2,475,676</u>
Total Electric Fund	<u>\$ 2,570,526</u>	<u>\$ (94,850)</u>	<u>\$ -</u>	<u>\$ 2,475,676</u>
Airport Fund				
Capital Assets Not Being Depreciated				
Land	\$ 179,258	\$ -	\$ -	\$ 179,258
Construction in progress	<u>238,364</u>	<u>9,779</u>	<u>96,590</u>	<u>151,553</u>
Total Capital Assets Not Being Depreciated	417,622	9,779	96,590	330,811
Other Capital Assets				
Infrastructure	8,324,419	-	-	8,324,419
Buildings and improvements	1,413,652	112,627	-	1,526,279
Machinery and equipment	<u>345,949</u>	<u>10,530</u>	<u>22,999</u>	<u>333,480</u>
Total Other Capital Assets	10,084,020	123,157	22,999	10,184,178
Less: Accumulated depreciation				
Infrastructure	4,358,692	319,565	-	4,678,257
Buildings and improvements	1,392,271	25,623	-	1,417,894
Machinery and equipment	<u>333,862</u>	<u>2,628</u>	<u>22,999</u>	<u>313,491</u>
Total Accumulated Depreciation	<u>6,084,825</u>	<u>347,816</u>	<u>22,999</u>	<u>6,409,642</u>
Subtotal Capital Assets, Net	<u>3,999,195</u>	<u>(224,659)</u>	<u>-</u>	<u>3,774,536</u>
Total Airport Fund	<u>\$ 4,416,817</u>	<u>\$ (214,880)</u>	<u>\$ 96,590</u>	<u>\$ 4,105,347</u>

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Total Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 179,258	\$ -	\$ -	\$ 179,258
Construction in progress	238,364	9,779	96,590	151,553
Total Capital Assets Not Being Depreciated	417,622	9,779	96,590	330,811
Other Capital Assets				
Infrastructure	38,274,366	299,944	-	38,574,310
Buildings and improvements	1,448,618	112,627	-	1,561,245
Machinery and equipment	6,967,557	568,408	278,934	7,257,031
Total Other Capital Assets	46,690,541	980,979	278,934	47,392,586
Less: Accumulated depreciation	36,276,831	1,276,561	278,934	37,274,458
Total Capital Assets, Net	10,413,710	(295,582)	-	10,118,128
Business-Type Activities	\$ 10,831,332	\$ (285,803)	\$ 96,590	\$ 10,448,939

A summary of changes in capital assets for the Component Unit – School Board follows:

Component Unit - School Board

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Construction in progress	\$ -	\$ 463,710	\$ -	\$ 463,710
Total Capital Assets Not Being Depreciated	-	463,710	-	463,710
Capital Assets Being Depreciated				
Land improvement	233,365	-	-	233,365
Buildings	13,558,233	-	-	13,558,233
Infrastructure	5,081,378	294,936	-	5,376,314
Machinery and equipment	7,625,549	531,269	-	8,156,818
Total Other Capital Assets	26,498,525	826,205	-	27,324,730
Less: Accumulated depreciation				
Land improvement	130,499	8,487	-	138,986
Buildings	7,765,799	226,150	-	7,991,949
Infrastructure	1,133,186	108,482	-	1,241,668
Machinery and equipment	4,568,052	590,110	-	5,158,162
Total Accumulated Depreciation	13,597,536	933,229	-	14,530,765
Other Capital Assets being Depreciated, Net	12,900,989	(107,024)	-	12,793,965
Total Capital Assets, Net	\$ 12,900,989	\$ 356,686	\$ -	\$ 13,257,675

The assets acquired through capital leases are as follows and are included in the figures above:

	Primary Government
Capital Assets	
Equipment	\$ 1,611,395
Less: Accumulated depreciation	(438,418)
	<u>\$ 1,172,977</u>

8 Long-Term Obligations

The following is a summary of the changes in long-term obligations of the primary government and its Component Unit – School Board, respectively, for the year ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Refundings</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
Primary Government						
Governmental Activities						
General obligations bonds	\$ 18,129,429	\$ 7,424,800	\$ 2,630,429	\$ 1,655,000	\$ 21,268,800	\$ 646,000
Capital lease obligations	24,810	235,952	86,493	-	174,269	68,355
Premium on bond issuance	372,566	180,763	214,807	-	338,522	34,842
Compensated absences	669,215	498,191	530,884	-	636,522	100,070
Total Governmental Activities	<u>19,196,020</u>	<u>8,339,706</u>	<u>3,462,613</u>	<u>1,655,000</u>	<u>22,418,113</u>	<u>849,267</u>
Business-Type Activities						
General obligation bonds	5,130,000	900,200	560,000	-	5,470,200	581,000
Premium on bond issuance	15,842	25,129	3,959	-	37,012	4,965
Total Bonds and Loan	<u>5,145,842</u>	<u>925,329</u>	<u>563,959</u>	<u>-</u>	<u>5,507,212</u>	<u>585,965</u>
Compensated absences	101,624	88,724	99,492	-	90,856	35,804
Total Business-Type Activities	<u>5,247,466</u>	<u>1,014,053</u>	<u>663,451</u>	<u>-</u>	<u>5,598,068</u>	<u>621,769</u>
Total Primary Government	<u>\$24,443,486</u>	<u>\$ 9,353,759</u>	<u>\$ 4,126,064</u>	<u>\$ 1,655,000</u>	<u>\$ 28,016,181</u>	<u>\$ 1,471,036</u>
Component Unit - School Board						
Capital lease obligations	\$ 1,378,360	\$ -	\$ 119,399	\$ -	\$ 1,258,961	\$ 129,509
Compensated absences	229,598	154,742	116,173	-	268,167	26,817
Total School Board	<u>\$ 1,607,958</u>	<u>\$ 154,742</u>	<u>\$ 235,572</u>	<u>\$ -</u>	<u>\$ 1,527,128</u>	<u>\$ 156,326</u>

Note: General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the government and are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage, interest, and income tax regulations under those provisions.

General Obligation Refunding Bonds – June 2021

In June 2021, the City issued \$1,895,000 of general obligation refunding bonds with a true interest cost of 2.29% and an original issue premium of \$26,394. The bonds were issued to complete an advance refunding of the 2013 general obligation refunding bonds and fund related cost of issuance. Proceeds in the amount of \$1,815,604 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded portion of the 2013 series bonds. As a result, that portion of the 2013 series bonds is considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$134,178 at June 30, 2021. The advance refunding reduced total debt service payments over the next 18 years by \$46,764. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$82,329.

Also in June 2021, the City issued \$5,529,800 of general obligation refunding bonds with a true interest cost of 2.25% and an original issue premium of \$179,500. The bonds were issued to (a) finance various capital projects in the City, including, but not limited to, funding the City's contribution to a new courthouse serving the City and Southampton County, Virginia and (b) pay the related costs of issuance.

General obligation debt of the governmental activities at June 30, 2021 is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2021</u>
Primary Government					
Governmental Obligations					
<i>General Obligation Bonds</i>					
General Obligation School Bonds, Series 2013A	04/12/13	07/15/33	3.05-5.05	\$ 1,695,000	\$ 1,270,000
General Obligation Bond, Series 2019B	10/17/19	01/15/26	2.70	8,000,000	4,950,000
GO Refunding Bond, Taxable Series 2019:	12/20/19	01/15/39	2.01-3.40	6,935,000	
City portion					5,344,000
School portion					1,336,000
Tax Exempt General Obligation Bond, Series 2021A	06/30/21	01/15/46	5-2.125	6,430,000	5,529,800
Tax Exempt General Obligation and Refunding Bond, Series 2021B	06/30/21	01/15/46	2-2.5	1,895,000	1,895,000
Virginia General Obligation Qualified Zone Academy Bond, Series 2014	12/30/14	12/01/24	0.0	1,816,000	944,000
 Total General Obligation Bonds					21,268,800
<i>Capital Lease Obligations</i>					
Police vehicles	01/18/21	01/31/26	3.57	67,146	61,732
Phone system	07/01/20	07/01/23	0.0	168,806	112,537
 Total Capital Lease Obligations					174,269
Premium on bond issuance					338,522
Compensated absences					636,522
 Total General Long-Term Obligations					22,418,113

The remainder of this page is left blank intentionally.

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2021</u>
Proprietary Funds					
<i>Water and Sewer Fund</i>					
General Obligation Bonds - Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	3,435,000	155,000
Taxable General Obligation Refunding Bond, Series 2012A	12/20/12	01/15/24	3.05	1,387,000	726,000
Tax Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/23	3.05	907,000	105,000
Tax Exempt General Obligation and Refunding Bond, Series 2021A	06/30/21	01/15/46	2.125%- 5%	6,430,000	643,000
Premium on bond issuance					25,802
Compensated absences					56,620
Total Water and Sewer Fund					1,711,422
<i>Electric Fund</i>					
General Obligation Bonds - Public Improvement and Refunding Series 2010	04/27/10	01/15/26	2.00-4.50	3,435,000	150,000
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	12/20/12	01/15/38	2.70	844,000	184,000
General Obligation Bond, Series 2019B	10/17/19	01/15/26	2.70	8,000,000	2,995,000
Premium on bond issuance					4,030
Compensated absences					22,254
Total Electric Fund					3,355,284
<i>Airport Fund</i>					
Compensated absences					6,042
Total Airport Fund					6,042
<i>Solid Waste Funds</i>					
GO Refunding Bond, Taxable Series 2019	12/20/19	01/15/32	2.01-2.84	6,935,000	255,000
Tax Exempt General Obligation and Refunding Bond, Series 2021A	06/30/21	01/15/46	2.125%- 5%	6,430,000	257,200
Premium on bond issuance					7,180
Compensated absences					5,940
Total Solid Waste Funds					525,320
Total Proprietary Funds					5,598,068
Total Primary Government					\$ 28,016,181

Annual requirements to amortize long-term obligations and related interest are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 646,000	\$ 482,258	\$ 68,355	\$ 1,452	\$ 714,355	\$ 483,710
2023	641,000	552,203	68,355	1,452	709,355	553,655
2024	657,000	540,509	12,086	846	669,086	541,355
2025	809,600	527,604	12,086	846	821,686	528,450
2026	831,201	509,801	12,086	846	843,287	510,647
2027-2031	4,523,599	2,170,303	1,301	-	4,524,900	2,170,303
2032-2036	5,205,600	1,471,647	-	-	5,205,600	1,471,647
2037-2041	4,708,300	664,891	-	-	4,708,300	664,891
2042-2046	3,246,500	204,893	-	-	3,246,500	204,893
	<u>\$21,268,800</u>	<u>\$ 7,124,109</u>	<u>\$174,269</u>	<u>\$ 5,442</u>	<u>\$21,443,069</u>	<u>\$ 7,129,551</u>

Long-Term Liabilities – Business-Type Activities

Long-term obligations of the business-type activities at June 30, 2021 are comprised of the following:

Fiscal Year Ending June 30,	Water and Sewer Fund		Electric Fund		Solid Waste Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 333,000	\$ 42,633	\$ 248,000	\$ 92,049	\$ -	\$ 10,319	\$ 581,000	\$ 145,001
2023	343,000	38,325	250,000	82,917	10,000	13,222	603,000	134,464
2024	310,000	26,797	160,000	76,437	15,000	13,014	485,000	116,248
2025	6,000	15,834	160,000	72,117	12,400	12,796	178,400	100,747
2026	6,500	15,534	164,000	67,797	12,600	12,326	183,100	95,657
2027-2031	36,500	72,570	887,000	270,216	84,600	57,103	1,008,100	399,889
2032-2036	46,000	62,600	1,014,000	143,829	158,400	29,018	1,218,400	235,447
2037-2041	170,500	53,195	446,000	18,144	68,200	21,280	684,700	92,619
2042-2046	377,500	23,824	-	-	151,000	9,531	528,500	33,355
	<u>\$1,629,000</u>	<u>\$351,312</u>	<u>\$3,329,000</u>	<u>\$ 823,506</u>	<u>\$ 512,200</u>	<u>\$ 178,609</u>	<u>\$ 5,470,200</u>	<u>\$ 1,353,427</u>

Fiscal Year Ending June 30,	Component Unit - School Board Capital Lease	
	Principal	Interest
2022	\$ 129,509	\$ 44,978
2023	140,188	39,534
2024	151,462	33,651
2025	163,363	27,304
2026	175,919	20,468
2027-2031	498,520	18,339
	<u>\$1,258,961</u>	<u>\$ 184,274</u>

The City also has a line of credit with SunTrust Bank of \$2,100,000 and used \$203,000 during fiscal year 2021 with a balance of \$285,439 as of June 30, 2021.

General Obligation Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property as the amount of general obligation borrowing which may be issued by the City. As of June 30, 2021, the City's Legal Debt Margin is as follows:

Total Assessed Value of Taxed Assessed Value		
Assessed value of real estate		\$ 586,779,931
Debt Limit - 10% of Total Assessed Value		\$ 58,677,993
Amount of Debt Applicable to Debt Limit		
<i>General Obligation Debt</i>		
Primary Government	\$21,268,800	
Business-Type	<u>5,470,200</u>	
Total General Obligation Debt		<u>26,739,000</u>
Legal Debt Margin		<u>\$ 31,938,993</u>

Note: The City was in compliance with all significant financial covenants contained in the various indentures at June 30, 2021.

The following provides the purpose for each debt issuance of the City of Franklin, Virginia.

Debt Issuance

Reason for Debt Issuance

Governmental Activities

General Obligation School Bonds, Series 2013A	Capital Projects, including building repairs, bleacher replacements, school bus purchases, HVAC repairs, oven replacements, and track resurfacing
Virginia General Obligation Qualified Zone Academy Bond, Series 2014	Technology improvements for all schools; energy/HVAC improvements, roof repairs
General Obligation Refunding Bond, Series 2019	Refunding of Series 2015A, 2015B, and portion of Series 2010
General Obligation Bond, Series 2019B	Capital Projects
General Obligation Bond, Series 2021A	Various capital projects, including, but not limited to, funding the City's contribution to a new courthouse serving the City and Southampton County, Virginia
General Obligation Refunding Bond, Series 2021B	Advance refunding of General Obligation Refunding Bond, Series 2013

Business-Type Activities

Water and Sewer Fund

General Obligation Bonds - Public Improvement and Refunding Series 2010	Water/Sewer Line Extensions, Hunterdale Pump Station
Taxable General Obligation Refunding Bond, Series 2012A	Refinancing of existing indebtedness; Capital Projects, including water main improvement
Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B	Refinancing of existing indebtedness; Capital Projects, including water main improvement
General Obligation Bond, Series 2021A	Various capital projects

Debt Issuance

Reason for Debt Issuance

Electric Fund

General obligation bonds - Public Improvement and Refunding Series 2010

Generation and Distribution Facilities Improvements

Tax-Exempt General Obligation Public Improvement and Refunding Bond, Series 2012B

Refinancing of existing indebtedness; Capital Projects, including refurbishment of building to house City's electric department

General Obligation Bond, Series 2019B

Generation and Distribution Facilities Improvements

Solid Waste Fund

General Obligation Bond 2019

Refunding of existing indebtedness

General Obligation Bond, Series 2021A

Various capital projects

9 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2021 is determined as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit - School Board</u>
Net Investment in Capital Assets			
Cost of Capital Assets	\$ 61,247,257	\$ 47,723,397	\$ 27,788,440
Less: Accumulated depreciation	<u>(37,520,457)</u>	<u>(37,274,458)</u>	<u>(14,530,765)</u>
Book value	23,726,800	10,448,939	13,257,675
Less: Capital related debt	(21,268,800)	(5,470,200)	-
Less: Capital leases	(174,269)	-	(1,258,961)
Less: Nondebt capital related payables	(4,815)	(9,143)	-
Add: Cash not spent from bond proceeds	6,541,909	3,848,033	-
Add: Loss on refunding	436,836	37,285	-
Less: Bond premiums	<u>(338,522)</u>	<u>(37,012)</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 8,919,139</u>	<u>\$ 8,817,902</u>	<u>\$ 11,998,714</u>

10 Compensated Absences

City employees earn annual leave at the rate of 17 to 29 days per year depending on length of service. A maximum of 34 to 58 days of annual leave, depending on length of service, may be carried over to succeeding years and may be paid if not used prior to termination. The governmental and business-type activities have outstanding accrued vacation totaling \$636,522 and \$90,856, respectively, as of June 30, 2021. The general fund has normally been used in prior years to liquidate the liability for compensated absences.

City employees no longer earn sick leave. A policy was adopted on January 1, 2002, in which all compensated absences are classified as annual leave. Any unused sick leave accrued as of January 1, 2002, was placed in a "sick leave bank" which can be used in the event of illness or injury in lieu of using paid time off days. Up to 3 days of banked sick leave may also be used annually for the sickness of an immediate family member. Employees who leave employment after 5 years or more of continuous service are paid for 25% of their sick leave balance (earned prior to January 1, 2002) based on their final rate of pay; however, the total amount of sick leave compensation may not exceed \$2,500.

Twelve-month employees of the City of Franklin Public Schools earn annual vacation leave as follows:

<u>Years of Experience</u>	<u>Rate</u>	<u>Days Per Year</u>
1 - 7	1 day per month	12
8 - 12	1-1/4 days per month	15
13 and over	1-1/2 days per month	18

Vacation leave is accumulated monthly. Employees may accumulate leave not to exceed a total of 24 months unless authorized by the Superintendent. Upon resignation or retirement from employment with the school system, an employee will be paid for unused vacation leave up to 24 months.

All employees of the City of Franklin Public Schools earn one day per month of sick leave. Employees who retire under provisions of the Virginia Retirement System Act while employed by the City of Franklin Public Schools will receive severance compensation for unused sick leave at a rate of \$30 per day, not to exceed 200 days. The school system will accept transfer of up to 90-days accumulated unused sick leave earned by an employee while employed by another local school division or an institution accredited by the Virginia Department of Education. At June 30, 2021, accumulated unpaid vacation amounted to \$268,167. Sick leave is not recorded, as the pay out of sick leave is only upon retirement of employees which is undeterminable.

11 Appropriation to School from Governmental Funds

Following is a summary of adjustments made to the local school appropriation when converting from fund financial statements to government-wide financial statements:

	<u>School Board</u>
Appropriation from City General Fund	\$4,830,237
Adjustments	-
Appropriation to School Fund by Government-Wide Statements	<u>\$4,830,237</u>

12 Deferred Inflows of Resources and Unearned Revenue

Deferred inflows of resources and unearned revenues are comprised of the following:

Governmental Funds - General Fund

Deferred Inflows of Resources:

Delinquent taxes not collected within 60 days	<u>\$ 668,697</u>
Total Deferred Inflows of Resources	<u>\$ 668,697</u>

Unearned Revenues:

Unearned grant revenue - CARES Act (COVID)	<u>\$4,967,158</u>
Total Unearned Revenues	<u>\$4,967,158</u>

13 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by VRS Retirement Plan upon employment. In addition, all full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees and employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

The remainder of this page is left blank intentionally.

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Members are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. *Teachers:* Members are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund. Members are covered under Plan 2 if they have a membership date prior to July 1, 2010, and they were not vested before January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- School division employees
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

**HYBRID
RETIREMENT PLAN**

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit

Defined Benefit Component:

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

PLAN 1

Calculating the Benefit

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of service credit.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government - City</u>	<u>School Board - General Employees</u>
	<u>Number</u>	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	133	14
Inactive members:		
Vested inactive members	28	1
Non-vested inactive members	52	7
LTD	0	0
Inactive members active elsewhere in VRS	<u>90</u>	<u>6</u>
Total inactive members	170	14
Active members	<u>165</u>	<u>19</u>
Total covered employees	<u>468</u>	<u>47</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions and school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

If the employer used the certified rate: The City of Franklin's (55232) contractually required contribution rate for the year ended June 30, 2021 was 11.80% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The rate for the Franklin City Public Schools (55606) was .63%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City of Franklin (55232) were \$830,059 and \$895,664 for the years ended June 30, 2021 and June 30, 2020, respectively.

For Franklin City Public Schools (55606), employer contributions were \$4,833 and \$24,409 for the years ended June 30, 2021 and June 30, 2020, respectively.

Each school division's contractually required contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from Franklin City Public Schools – Teachers (40232) were \$1,086,028 and \$993,784 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For City of Franklin (55232), the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Net Pension Liability – Teacher Employee Retirement Plan

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 51,001,855
Plan Fiduciary Net Position	<u>36,449,229</u>
Employer's Net Pension Liability (Asset)	<u>\$ 14,552,626</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 71.47%

The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

Actuarial Assumptions – General Employees and School Division – Teachers

The total pension liability for General Employees in the Political Subdivision’s Retirement Plan and the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

	General Employees	Teachers
Inflation	2.50%	2.50%
Salary increases, including inflation	3.50% - 5.35%	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*	6.75%, net of pension plan investment expenses, including inflation*

**Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

Political Subdivisions

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

School Divisions – Teachers

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020: males 1% increase compounded from ages 70 to 90; and females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with hazardous duty benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

**Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

All Others (Non 10 Largest) – Hazardous Duty; 45% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

**The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.*

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Primary Government - City

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 40,710,801	\$ 36,049,174	\$ 4,661,627
Changes for the Year			
Service cost	899,889	-	899,889
Interest	2,664,687	-	2,664,687
Assumption changes	-	-	-
Differences between expected and actual experience	(49,321)	-	(49,321)
Contributions - employer	-	873,180	(873,180)
Contributions - employee	-	355,227	(355,227)
Net investment income	-	674,648	(674,648)
Benefit payments, including refunds of employee contributions	(2,467,926)	(2,467,926)	-
Administrative expenses	-	(23,821)	23,821
Other changes	-	(800)	800
Net Changes	<u>1,047,329</u>	<u>(589,492)</u>	<u>1,636,821</u>
Balances at June 30, 2020	<u>\$ 41,758,130</u>	<u>\$ 35,459,682</u>	<u>\$ 6,298,448</u>

**Component Unit School Board -
General Employees**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at June 30, 2019	\$ 1,946,536	\$ 1,971,613	\$ (25,077)
Changes for the Year			
Service cost	38,741	-	38,741
Interest	129,027	-	129,027
Assumption changes	-	-	-
Differences between expected and actual experience	(298,266)	-	(298,266)
Contributions - employer	-	21,147	(21,147)
Contributions - employee	-	21,812	(21,812)
Net investment income	-	37,605	(37,605)
Benefit payments, including refunds of employee contributions	(70,058)	(70,058)	-
Administrative expenses	-	(1,279)	1,279
Other changes	-	(45)	45
Net Changes	<u>(200,556)</u>	<u>9,182</u>	<u>(209,738)</u>
Balances at June 30, 2020	<u>\$ 1,745,980</u>	<u>\$ 1,980,795</u>	<u>\$ (234,815)</u>

Sensitivity of the City of Franklin (55232), the Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City of Franklin (55232), Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the City of Franklin (55232), Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

	<u>1.00% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1.00% Increase 7.75%</u>
Primary Government - City Political subdivision's Net Pension Liability	<u>\$ 11,104,979</u>	<u>\$ 6,298,448</u>	<u>\$ 2,265,555</u>
Component Unit School Board - General Employees	<u>\$ (54,562)</u>	<u>\$ (234,815)</u>	<u>\$ (388,120)</u>
School Division's Proportionate Share of the VRS Teacher Employee Retirement Plan Net Pension Liability	<u>\$ 15,373,419</u>	<u>\$ 10,477,891</u>	<u>\$ 6,428,670</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the City of Franklin (55232) recognized pension expense of \$907,106.

For the year ended June 30, 2021, the Franklin City Public Schools (55606) recognized pension expense of \$(43,300).

At June 30, 2021, Franklin City Public Schools – Teachers (40232) reported a liability of \$10,477,891 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. Franklin City Public Schools – Teachers (40232) proportion of the Net Pension Liability was based on Franklin City Public Schools – Teachers (40232) actuarially determined employer contributions to the pension plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, Franklin City Public Schools – Teachers (40232) proportion was .07200% as compared to .07987% at June 30, 2019.

For the year ended June 30, 2021, Franklin City Public Schools – Teachers (40232) recognized pension expense of \$393,605. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2021, the City of Franklin (55232), Franklin City Public Schools (55606), and Franklin City Public Schools – Teachers (40232) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Primary Government - City's Political Subdivision		
Differences between expected and actual experience	\$ -	\$ 433,033
Change in assumptions	316,629	-
Net difference between projected and actual earnings on pension plan investments	1,067,564	-
Employer contributions subsequent to the measurement date	<u>830,059</u>	<u>-</u>
Total	<u>\$ 2,214,252</u>	<u>\$ 433,033</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ 7,381	\$ 186,973
Change in assumptions	7,369	-
Net difference between projected and actual earnings on pension plan investments	59,563	-
Employer contributions subsequent to the measurement date	<u>4,833</u>	<u>-</u>
Total	<u>\$ 79,146</u>	<u>\$ 186,973</u>

Component Unit School Board - Teachers	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 715,247	\$ 614,165
Change in assumptions	796,960	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	2,129,682
Employer contributions subsequent to the measurement date	<u>1,086,028</u>	<u>-</u>
Total	<u>\$ 2,598,235</u>	<u>\$ 2,743,847</u>

\$830,059 for the City of Franklin (55232), \$4,833 for Franklin City Public Schools (55606), and \$1,086,028 for Franklin City Public Schools - Teachers (40232) reported as deferred outflows of resources related to pensions resulting from the political subdivision and school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended
June 30,**

**Primary Government -
City's Political Subdivision**

2022	\$ (79,661)
2023	324,363
2024	363,256
2025	343,202
2026	-
Thereafter	-

**Component Unit School
Board - General Employees**

2022	\$ (95,423)
2023	(56,737)
2024	20,596
2025	18,904
2026	-
Thereafter	-

**Year Ended
June 30,**

**Component Unit School
Board - Teachers**

2022	\$ (686,300)
2023	(370,161)
2024	(126,209)
2025	6,403
2026	(55,373)
Thereafter	-

Pension Plan Fiduciary Net Position

Detailed information about the VRS Political Subdivision's and Teacher Retirement Plans' Virginia Retirement System's Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

14 Other Post-Employment Benefits - Group Life Insurance

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- *Natural Death Benefit:* The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- *Accidental Death Benefit:* The accidental death benefit is double the natural death benefit.
- *Other Benefit Provisions:* In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$38,037 and \$38,651 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the school board – general employees, contributions were \$2,928 and \$2,523 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the school board – teachers, contributions were \$37,337 and \$33,023 for the years ended June 30, 2021 and June 30, 2020, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2021, the entities reported a liability of \$602,591 for the City's political subdivision, \$39,385 for the school board – general employees, and \$515,003 for the school board - teacher for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .3613% for the City's political subdivision, .00236% for the school board – general employees, and .03086% for the school board – teacher proportionate share as compared to .03987% for the City's political subdivision, .00227% for the school board – general employees, and .03466% for the school board – teacher proportionate share at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$9,628 for the City's political subdivision, \$2,013 for the school board – general employees, and \$(10,129) for the school board – teacher proportionate share. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

Primary Government - City's Political Subdivision

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	38,674	5,415
Net difference between projected and actual earnings on GLI OPEB program investments	18,112	-
Change in assumptions	30,154	12,590
Changes in proportionate share	-	62,574
Employer contributions subsequent to the measurement date	<u>38,037</u>	<u>-</u>
Total	<u>\$ 124,977</u>	<u>\$ 80,579</u>

Component Unit School Board - General Employees

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,526	\$ 354
Net difference between projected and actual earnings on GLI OPEB program investments	1,183	-
Change in assumptions	1,970	822
Changes in proportionate share	2,233	-
Employer contributions subsequent to the measurement date	<u>2,928</u>	<u>-</u>
Total	<u>\$ 10,840</u>	<u>\$ 1,176</u>

Component Unit School Board - Teachers

Differences between expected and actual experience	\$ 33,033	\$ 4,625
Net difference between projected and actual earnings on GLI OPEB program investments	15,470	-
Change in assumptions	25,756	10,754
Changes in proportionate share	-	122,560
Employer contributions subsequent to the measurement date	<u>37,337</u>	<u>-</u>
Total	<u>\$ 111,596</u>	<u>\$ 137,939</u>

\$38,037 for the City's political subdivision, \$2,928 for the School Board general employees, and \$37,337 for the Teacher pool reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

**Primary
Government -
City's Political
Subdivision**

2022	\$ (4,284)
2023	831
2024	6,860
2025	9,217
2026	(4,505)
Thereafter	(1,758)

**Component Unit
School Board -
General
Employees**

2022	\$ 1,104
2023	1,438
2024	1,743
2025	1,757
2026	622
Thereafter	72

**Component Unit
School Board -
Teachers**

2022	\$ (22,011)
2023	(17,642)
2024	(11,675)
2025	(3,196)
2026	(7,319)
Thereafter	(1,837)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.50% - 5.35%
Teachers	3.50% - 5.95%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.50%
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

**Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.*

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	<u>1,855,102</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease 5.75%	Current Discount Rate 6.75%	1.00% Increase 7.75%
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	\$ <u>792,625</u>	\$ <u>602,951</u>	\$ <u>448,918</u>
Component Unit School Board - General Employees	\$ <u>51,774</u>	\$ <u>39,385</u>	\$ <u>29,324</u>
Component Unit School Board - Teacher	\$ <u>677,011</u>	\$ <u>515,003</u>	\$ <u>383,438</u>

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

15 Other Post-Employment Benefits - Health Insurance Credit Program

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
<p>Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • At Retirement – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. • Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for the premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>School Board Number</u>
Inactive members or their beneficiaries currently receiving benefits	6
Inactive members:	
Vested	-
Non-vested	-
Active elsewhere in the System	-
Total inactive members	<u>6</u>
Active members	<u>19</u>
Total covered employees	<u><u>25</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Franklin City Public Schools (55606) contractually required employer contribution rate for the year ended June 30, 2021 was .16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Franklin City Public Schools (55606) to the Political Subdivision Health Insurance Credit Program were \$860 and \$825 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability

Franklin City Public Schools (55606) net Health Insurance Credit OPEB liability was measured as of June 30, 2020. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	
Locality - General Employees	3.50% - 5.35%
Locality - Hazardous Duty Employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation *

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.*

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability:

	Total HIC OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Component Unit School Board - General Employees			
Balances at June 30, 2019	\$ 36,695	\$ 33,626	\$ 3,069
Changes for the Year			
Service cost	578	-	578
Interest	2,381	-	2,381
Benefit changes	1,875	-	1,875
Assumption changes	-	-	-
Differences between expected and actual experience	(3,047)	-	(3,047)
Contributions - employer	-	825	(825)
Net investment income	-	660	(660)
Benefit payments	(2,856)	(2,856)	-
Administrative expenses	-	(61)	61
Other changes	-	-	-
Net Changes	<u>(1,069)</u>	<u>(1,432)</u>	<u>363</u>
Balances at June 30, 2020	<u>\$ 35,626</u>	<u>\$ 32,194</u>	<u>\$ 3,432</u>

Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

The following presents the Political Subdivision Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political subdivision's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

	1.00% Decrease 5.75%	Current Discount Rate 6.75%	1.00% Increase 7.75%
Component Unit School Board - General Employees Net HIC OPEB Liability	<u>\$ 6,491</u>	<u>\$ 3,432</u>	<u>\$ 592</u>

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2021, Franklin City Public Schools (55606) recognized Health Insurance Credit Program OPEB expense \$2,476. At June 30, 2021, Franklin City Public Schools (55606) reported deferred outflows of resources and deferred inflows of resources related to Franklin City Public Schools (55606) Health Insurance Credit Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ 732	\$ 2,442
Net difference between projected and actual earnings on HIC OPEB program investments	1,050	-
Change in assumptions	423	169
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	<u>860</u>	<u>-</u>
Total	<u>\$ 3,065</u>	<u>\$ 2,611</u>

\$860 reported as deferred outflows of resources related to the HIC OPEB resulting from the Franklin City Public Schools (55606) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

**Year Ended
June 30,
Component Unit School Board -
General Employees**

2022	\$ (200)
2023	180
2024	(66)
2025	(298)
2026	(22)
Thereafter	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

16 Other Post-Employment Benefits - Teacher Employee Health Insurance Credit Program

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <i>At Retirement:</i> For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.• <i>Disability Retirement:</i> For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<ul style="list-style-type: none">○ \$4.00 per month, multiplied by twice the amount of service credit, or○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.• Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Franklin City Public Schools – Teachers (40232) to the VRS Teacher Employee Health Insurance Credit Program were \$82,682 and \$76,055 for the years ended June 30, 2021 and June 30, 2020, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2021, Franklin City Public Schools – Teachers (40232) reported a liability of \$943,035 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. Franklin City Public Schools – Teachers (40232) proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on Franklin City Public Schools – Teachers (40232) actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, Franklin City Public Schools – Teachers (40232) proportion of the VRS Teacher Employee Health Insurance Credit Program was .07230% as compared to .08044% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$29,832. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, Franklin City Public Schools – Teachers (40232) reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 12,594
Net difference between projected and actual earnings on Teacher HIC OPEB program investments	4,179	-
Change in assumptions	18,642	5,152
Changes in proportionate share	-	250,202
Employer contributions subsequent to the measurement date	<u>82,682</u>	<u>-</u>
Total	<u>\$ 105,503</u>	<u>\$ 267,948</u>

\$82,682 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2022	\$ (47,396)
2023	(46,982)
2024	(47,121)
2025	(44,398)
2026	(33,409)
Thereafter	(25,821)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation - Teacher Employees	3.50% - 5.95%
Investment rate of return	6.75%, net of plan investment expenses, including inflation*

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.*

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,448,676
Plan Fiduciary Net Position	<u>144,160</u>
Teacher Employee Net HIC OPEB Liability (Asset)	<u>\$ 1,304,516</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	9.95%

The total Teacher Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log- normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of Franklin City Public Schools – Teachers (40232) Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents Franklin City Public Schools - Teachers (40232) proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what Franklin City Public Schools - Teachers (40232) proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1.00% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1.00% Increase 7.75%</u>
School Division's Proportionate Share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	<u>\$ 1,055,629</u>	<u>\$ 943,035</u>	<u>\$ 847,338</u>

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

17 Other Post-Employment Benefits - Line of Duty Act Program

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for LODA OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS

Eligible Employees

The eligible employees of the Line of Duty Act Program (LODA) include paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).

Benefit Amounts

The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals:

Death: The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:

- \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after
- \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
- An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

Health Insurance: The Line of Duty Act program provides health insurance benefits.

- Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.
 - Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.
-

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the entity were \$135,393 and \$41,111 for the years ended June 30, 2021 and June 30, 2020, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2021, the entity reported a liability of \$1,266,958 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the entity's proportion was .30251% as compared to .33655% at June 30, 2019.

For the year ended June 30, 2021, the entity recognized LODA OPEB expense of \$101,388. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 134,490	\$ 172,729
Net difference between projected and actual earnings on LODA OPEB program investments	-	1,801
Change in assumptions	339,174	78,951
Changes in proportionate share	38,040	147,052
Employer contributions subsequent to the measurement date	<u>135,393</u>	<u>-</u>
Total	<u>\$ 647,097</u>	<u>\$ 400,533</u>

\$135,393 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended	
<u>June 30,</u>	
2022	\$ 15,082
2023	15,415
2024	15,770
2025	15,875
2026	15,986
Thereafter	33,043

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption -	
Under age 65	7.00% - 4.75%
Ages 65 and older	5.375% - 4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	2.21%, including inflation*

** Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.*

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality rates – Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2020, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB Liability	\$423,147
Plan Fiduciary Net Position	<u>4,333</u>
LODA Net OPEB Liability (Asset)	<u>\$418,814</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%

The total LODA OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments’ 6.75% assumption. Instead, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2020.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1.00% Decrease 1.21%	Current Discount Rate 2.21%	1.00% Increase 3.21%
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ <u>1,503,862</u>	\$ <u>1,266,958</u>	\$ <u>1,088,385</u>

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains a provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease 6.00% decreasing to 3.75%	Health Care Trend Rates 7.00% decreasing to 4.75%	1.00% Increase 8.00% decreasing to 5.75%
Covered Employer's Proportionate Share of the LODA Net OPEB Liability	\$ <u>1,047,182</u>	\$ <u>1,266,958</u>	\$ <u>1,554,422</u>

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

18 Other Post-Employment Benefits - Political Subdivision Employee Virginia Local Disability Program

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit Amounts

The Political Subdivision Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability:

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability:

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
 - VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.
-

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2021 was 0.83% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the political subdivision to the VRS Political Subdivision Employee Virginia Local Disability Program were \$14,522 and \$11,674 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the school board – general employees, contributions to the VRS Political Subdivision Employee Virginia Local Disability Program were \$2,787 and \$1,765 for the years ended June 30, 2021 and June 30, 2020, respectively.

Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB

At June 30, 2021, the political subdivision reported a liability of \$4,344 and \$657 school board – general employees for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2020 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the political subdivision's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was .43511% and .06580% school board – general employees as compared to .54747% and .06310% school board – general employees at June 30, 2019.

For the year ended June 30, 2021, the political subdivision recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$12,225 and \$1,895 school board – general employees. Since there was a change in proportionate share between measurement dates a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

Primary Government - City's Political Subdivision

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,519	\$ 5,099
Net difference between projected and actual earning on Political Subdivision VLDP OPEB program investments	461	-
Change in assumptions	201	290
Changes in proportionate share	-	1,735
Employer contributions subsequent to the measurement date	<u>14,522</u>	<u>-</u>
Total	<u>\$ 18,703</u>	<u>\$ 7,124</u>

Component Unit - School Board General Employees

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 532	\$ 771
Net difference between projected and actual earnings on Political Subdivision VLDP OPEB program investments	70	-
Change in assumptions	30	44
Changes in proportionate share	26	-
Employer contributions subsequent to the measurement date	<u>2,787</u>	<u>-</u>
Total	<u>\$ 3,445</u>	<u>\$ 815</u>

\$14,522 for the City's political subdivision and \$2,787 for the component unit – school board general employees reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

**Primary
Government -
City's Political
Subdivision**

2022	\$ 129
2023	121
2024	129
2025	109
2026	(714)
Thereafter	(2,717)

**Component Unit -
School Board
General
Employees**

2022	\$ 66
2023	64
2024	66
2025	60
2026	(86)
Thereafter	(327)

Actuarial Assumptions

The total Political Subdivision Employee VLDP OPEB liability for the VRS Political Subdivision Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation - Political subdivision employees	3.50% - 5.95%
Investment rate of return	6.75%, including inflation*

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.*

Mortality rates – Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net Political Subdivision Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Political Subdivision Employee VLDP OPEB Plan	
Total Political Subdivision Employee VLDP OPEB Liability	\$	4,317
Plan Fiduciary Net Position		<u>3,317</u>
Political Subdivision Employee VLDP Net OPEB Liability (Asset)	\$	<u><u>1,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision Employee VLDP OPEB Liability		76.84%

The total Political Subdivision Employee VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Political Subdivision Employee VLDP OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the political subdivision for the VRS Political Subdivision Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Political Subdivision Employee VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Political Subdivision Employee VLDP OPEB liability.

Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the political subdivision's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Covered Employers Proportionate Share of the VRS Political Subdivision Employee VLDP OPEB Plan Net OPEB Liability	\$ <u>5,826</u>	\$ <u>4,344</u>	\$ <u>3,053</u>
Covered Employers Proportionate Share of the VRS School Board General Employees VLDP OPEB Plan Net OPEB Liability	\$ <u>881</u>	\$ <u>657</u>	\$ <u>462</u>

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

19 Other Post-Employment Benefits - Teacher Employee Virginia Local Disability Program

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. School divisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

TEACHER EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS

Eligible Employees

The Teacher Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits

Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:

- Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Virginia Disability Local Program (VLDP) provides the following benefits for eligible employees:

Short-Term Disability:

- The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
- During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
- Once the eligibility period is satisfied, employees are eligible for higher income replacement levels

Long-Term Disability:

- The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
- Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirement for active hybrid plan employees is governed by §51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 0.47% of covered employee compensation for employees in the VRS Teacher Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Virginia Local Disability Program were \$14,473 and \$10,203 for the years ended June 30, 2021 and June 30, 2020, respectively.

Teacher Employee Virginia Local Disability Program OPEB Liabilities, Teacher Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Virginia Local Disability Program OPEB

At June 30, 2021, the school division reported a liability of \$3,375 for its proportionate share of the VRS Teacher Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee Virginia Local Disability Program was .42070% as compared to .54769% at June 30, 2019.

For the year ended June 30, 2021 the school division recognized VRS Teacher Employee Virginia Local Disability Program OPEB expense of \$9,085. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Virginia Local Disability Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,596	\$ 261
Net difference between projected and actual earnings on Teacher VLDP OPEB program investments	364	-
Change in assumptions	379	-
Changes in proportionate share	-	1,163
Employer contributions subsequent to the measurement date	<u>14,473</u>	<u>-</u>
Total	<u>\$ 16,812</u>	<u>\$ 1,424</u>

\$14,473 reported as deferred outflows of resources related to the Teacher Employee VLDP OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2022	\$	110
2023		101
2024		98
2025		102
2026		12
Thereafter		492

Actuarial Assumptions

The total Teacher Employee VLDP OPEB liability for the VRS Teacher Employee Virginia Local Disability Program was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation - Teacher employees	3.50% - 5.95%
Investment rate of return	6.75%, including inflation

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.*

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Net Teacher Employee VLDP OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Virginia Local Disability Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	Teacher Employee VLDP OPEB Plan
Total Teacher Employee VLDP OPEB Liability	\$ 3,687
Plan Fiduciary Net Position	<u>2,886</u>
Teacher Employee VLDP Net OPEB Liability (Asset)	<u><u>\$ 801</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee VLDP OPEB Liability	78.28%

The total Teacher Employee VLDP OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee VLDP OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total Teacher Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the school division for the VRS Teacher Employee Virginia Local Disability Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee VLDP OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

1.00% Decrease **Current Discount** **1.00% Increase**
5.75% Rate 6.75% 7.75%

Covered Employers Proportionate Share of the VRS Teacher Employee VLDP OPEB Plan Net OPEB Liability	\$ <u>5,255</u>	\$ <u>3,375</u>	\$ <u>1,753</u>
--	-----------------	-----------------	-----------------

Teacher Employee VLDP OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Virginia Local Disability Program’s Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

20 Joint Ventures and Related Organizations

Blackwater Regional Library

The City participates in the operation of the Blackwater Regional Library that serves Southampton County, City of Franklin, Towns of Smithfield, Wakefield, and Waverly and three neighboring counties. Separate financial statements are available from the Blackwater Regional Library.

Franklin-Southampton Economic Development Commission

The City participates in the operation of the Franklin-Southampton Economic Development Commission that operates in the City of Franklin and Southampton County. Separate financial statements are available from the Franklin-Southampton Economic Development Commission.

Western Tidewater Regional Jail Authority

The City participated in the construction of the facilities for the Western Tidewater Regional Jail Authority located in the City of Franklin. The jail became operational in July 1992. Operational funding surpluses and deficiencies are shared by member jurisdictions based on their ownership percentages. Separate financial statements are available from the Western Tidewater Regional Jail Authority.

Western Tidewater Community Services Board

The City participates in the operation of the Western Tidewater Community Services Board that serves the City of Franklin and the counties of Isle of Wight and Southampton. Separate financial statements are available from the Western Tidewater Community Services Board.

21 Contingent Liabilities

Federal programs in which the City participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to these requirements, certain programs were tested for compliance with applicable grant requirements. The Federal government may subject grant programs to additional compliance tests that may result in disallowed expenditures. In the opinion of management, future disallowances of current program expenditures, if any, would be immaterial.

General obligation bonds of \$5,470,200 have been recorded in the Enterprise Funds from which repayment is anticipated. The General Fund has a contingent liability for repayment of the aforementioned amounts should the Enterprise Funds be unable to pay.

The Airport Fund obtained a grant from the Department of Aviation, Commonwealth of Virginia, for rehabilitation of the airport entrance road. Grant provisions require the City to operate and maintain the airport as a public use facility for a period of twenty years from the final payment date of this grant. The final payment was received in September 1998. If the airport should cease to be used as a public use facility prior to September 2018, the City would be required to repay the Commonwealth a pro-rata share (computed monthly) of all monies received under this grant based on the period of operation and maintenance.

Health insurance coverage for full-time salaried employees of the City of Franklin and the Component Unit – School Board is obtained through Local Choice. This employee health insurance fund is an account established by the Commonwealth Treasury and maintained by the Department of Accounts within which contributions to the plan are deposited. The yearly premiums paid into the plan are adjusted for deviations in claim experience. Employees may choose to terminate participation in the health benefits program with a 90-day notice. The local employer is responsible for any adverse experience adjustments that apply to the terminating year and any prior year within which the employer participated in the program. No estimate can be made as to possible future costs in excess of monthly premiums paid.

22 Other Post-Employment Benefits Program

Background

In fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health-care and nonpension benefits, such as the City's retiree health benefit subsidy. Historically, the City's subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the City accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City. This funding methodology mirrors the funding approach used for pension benefits.

City

A. *Plan Description*

Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan. The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City provides post-retirement medical and dental coverage benefits for employees who are eligible for retirement benefits and are covered by the active plan at time of retirement.

Individuals who retire from City service with full VRS benefits (i.e., 50 years of age and 30 years of continuous service) and 10 years (retirees employed after June 30, 2004) or 5 years (retirees employed prior to July 1, 2004) of service with the City, are eligible for medical insurance and dental coverage benefits under the City's plan for active employees until age 65 when they become eligible for Medicare, at which time benefits cease. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

B. Funding Policy

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Participating retirees are responsible for the insurance premium (health and dental) at the same cost as for active employees. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan. In addition, retirees employed after June 30, 2004 and all retirees with less than 10 years of service with the City must pay a 2.00% administrative fee. A separate report was not issued for the plan.

C. Executive Summary

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is July 1, 2020. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2021. This is the date as of which the City's total OPEB liability is determined. The Reporting Date is June 30, 2021. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

There have been no significant changes between the valuation date and fiscal year end.

Participant Data as of July 1, 2020

	<u>Number</u>
Actives	161
Retirees	23
Spouses of retirees	2
Beneficiaries	-
	<hr/>
Total	<u>186</u>

D. Total OPEB Liability

<u>Total OPEB Liability</u>		<u>June 30, 2020</u>
Total OPEB Liability	\$	2,636,762
Covered Payroll		7,897,505
Total OPEB liability as a % of covered payroll		33.39%

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

E. *Discount Rate*

Discount Rate

Discount rate	2.16%
20 Year Tax-Exempt Municipal Bond Yield	2.16%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

F. *Other Key Actuarial Assumptions*

The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2021 were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2012 to June 30, 2016. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 26, 2017.

Other Key Actuarial Assumptions

	<u>June 30, 2021</u>
Valuation Date	July 1, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Medical Trend Rate	5.40% to 4.00% over 53 years

Total Salary Increase Rates, a productivity component of 1% and a variable merit component that is dependent on years of service

June 30, 2021

<u>Years of Service</u>	<u>Increase for Next Year</u>
1	5.35%
2	5.35%
3	4.75%
4	4.45%
5	4.45%
6	4.45%
7	4.35%
8	4.25%
9	4.00%
10	4.00%
11 - 19	3.65%
20 or More	3.50%

G. Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2020	\$ 2,636,762
Changes for the Year	
Service cost	103,431
Interest on total OPEB liability	56,794
Effect of plan changes	-
Effect of economic/demographic gains or losses	571,642
Effect of assumptions changes or inputs	(253,001)
Benefit payments	<u>(342,480)</u>
Net Changes	<u>136,386</u>
Balance as of June 30, 2021	<u>\$ 2,773,148</u>

H. Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.16%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate.

	1% Decrease 1.16%	Discount 2.16%	1% Increase 3.16%
Political subdivision's Total OPEB liability	\$2,933,106	\$ 2,773,148	\$2,623,235

The following presents the total OPEB liability of the City, calculated using the current healthcare trend rates, as well as what the City's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Political subdivision's Total OPEB liability	\$2,551,807	\$ 2,773,148	\$3,022,280

I. *OPEB Expense and Deferred Outflows/Inflows of Resources*

For the year ended June 30, 2021, the City recognized retiree health insurance OPEB expense of \$251,218.

As of June 30, 2021, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 467,707	\$ 93,774
Change of assumptions	210,768	218,233
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	<u>1,036,969</u>	<u>-</u>
Total	<u>\$ 1,715,444</u>	<u>\$ 312,007</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

**Year Ended
June 30,**

2022	\$ 90,995
2023	102,227
2024	86,345
2025	57,935
2026	28,966
Thereafter	-

School Board

A. *Plan Description*

The School Board provides postemployment medical coverage for retired employees through a single- employer defined benefit plan. The School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors. The plan does not grant retirees vested health benefits. The Plan does not issue separate financial statements.

B. *Benefits Provided*

Employees who retire from the School Board with service eligible for VRS benefits (Plan 1 - Age 50 and 10 years of service or Age 55 and 5 years of service; Plan 2 - age 60 and 5 years of service; Hazardous duty - age 50 and 5 years of service) and who are participating in the medical coverage are eligible to elect post-retirement coverage. Retirees are eligible to remain on the medical plan with 100% of the premium paid by the retiree. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree. Retirees' coverage ceases at eligibility for Medicare.

C. *Plan Membership*

The following employees were covered by the benefit terms:

	<u>Number</u>
Actives	140
Retirees	7
Spouses of retirees	-
Beneficiaries	-
	<hr/>
Total	<u><u>147</u></u>

D. *Contributions*

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The School Board did not make any payments for OPEB and related benefits were not due during the year ended June 30, 2021.

E. *Total OPEB Liability*

The School Board's total OPEB liabilities were measured as of July 1, 2020. The total OPEB liabilities were determined by an actuarial valuation as of June 30, 2021.

F. *Actuarial Assumptions*

The total OPEB liability in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Healthcare cost trend rate	6.70% for FY2021, graded down to 4% over 53 years
Salary increases	2.50%
Discount rate	2.16%

G. *Discount Rate*

The discount rate has been set equal to 2.16% and represents the 20-year tax-exempt municipal bond yields as of July 1, 2020.

H. *Changes in Total OPEB Liability*

	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2020	\$ 568,814
Changes for the Year	
Service cost	32,279
Interest on total OPEB liability	12,796
Effect of plan changes	-
Effect of economic/demographic gains or losses	(126,384)
Effect of assumptions changes or inputs	8,129
Benefit payments	<u>(44,442)</u>
Net Changes	<u>(117,622)</u>
Balance as of June 30, 2021	<u>\$ 451,192</u>

I. *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (2.16%) than the current discount rate:

	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Schools'			
Total OPEB liability	\$ 481,858	\$ 451,192	\$ 421,738

J. *Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates*

The following presents the total OPEB liabilities of the School Board, as well as what the total OPEB liabilities would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rate used of 6.70%:

	1% Decrease 5.70%	Healthcare Cost Trend Rate 6.70%	1% Increase 7.70%
Schools'			
Total OPEB liability	\$1,123,000	\$ 451,192	\$1,428,000

K. *OPEB Expense and Deferred Outflows/Inflows of Resources*

For the year ended June 30, 2021, the School Board recognized OPEB expense in the amount of \$83,000. Deferred outflows of resources and deferred inflows of resources were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 191,166
Change of assumptions	25,134	988
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 25,134</u>	<u>\$ 192,154</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in future reporting periods as follows:

**Year Ended
June 30,**

2022	\$ (50,848)
2023	(49,957)
2024	(25,504)
2025	(19,386)
2026	(19,386)
Thereafter	(1,939)

23 Tax Abatement Disclosures

The City negotiates property tax abatement agreements on an individual basis. The City has no tax abatement agreements with any entities as of June 30, 2021.

24 Annexations

Southampton County

The City entered into an annexation agreement with Southampton County (County) that provided for annexation in two phases. Annexation of the Phase I area, 3.93 square miles with 3.1% of the County's population per the 1980 census, was effective December 31, 1985. Annexation of the Phase II area, 0.73 square miles with 1.96% of the County's population, was effective December 31, 1995. As part of Phase I, the City agreed to pay to the County 3.798% of all the County's future obligations on general obligation debt existing at December 31, 1985. As part of Phase II, the City agreed to pay the County 2.04% of all the County's future obligations on general obligation debt existing at December 31, 1996. In addition, the City compensated the County for estimated loss of tax revenue through fiscal year 2007. The City further agreed not to institute, participate in or support, directly or indirectly, any further annexation of Southampton County prior to December 31, 2010.

The City adopted a Revenue-Sharing Agreement with the County in January 1997. County residents approved this agreement in November 1997. The agreement was reviewed and recommended for Court approval by the Commission on Local Government of the Commonwealth of Virginia in January 1999. The Revenue Sharing Agreement covers approximately 17.1 square miles in Southampton County immediately contiguous to the City of Franklin. The agreement provides that the County will pay to the City on October 15 of each year, 30% of local tax revenue collected through June 30 of that year by industries and commercial establishments located within this area that are served by City water and sewer treatment. The City is required to provide potable water for non-residential use to industrial and commercial businesses in the designated area and receive wastewater from such businesses. The agreement is to remain in effect in perpetuity as adopted, subject to amendment by agreement of the parties, except if the City, or a City water and/or sewer authority decides to discontinue operation of both its water and sewer treatment systems, the agreement may be voided upon two years' notice to the County. The designated area, which includes all portions of the County immediately contiguous to the City, is immune from annexation as long as the agreement remains in force and the City exists as a political subdivision in the nature of a city. For the year ending June 30, 2021, the City received \$63,775 in tax revenue from the County under this agreement.

County of Isle of Wight

On March 11, 1986, the City entered into an agreement with the County of Isle of Wight whereby the City waived any and all of its rights and power to seek annexation of the County of Isle of Wight's territory within a designated area adjacent to the City. The agreement became effective when approved by the Court on April 13, 1987. In return, the County of Isle of Wight agreed to share with the City all local tax revenues collected within the designated area using the following percentages:

<u>Fiscal Year Ending</u>	<u>Percentage</u>
1986	5%
1987	10%
1988-1995	20%
1996-2016	17.8%
2017 and thereafter	¹ 21.8%

¹As adjusted by formula

The local revenues are payable to the City by the County of Isle of Wight on August 1, following the end of the fiscal year. During the year ended June 30, 2021, the City received \$1,054,852 from the County of Isle of Wight under this agreement for tax revenues collected for the year ended June 30, 2021.

25 Fund Balances

Portions of the General Fund balance are as follows:

- Fund balance in the amount of \$969,874 is nonspendable due to Airport Fund.
- Fund balance in the amount of \$499,541 is restricted for capital needs of the Fire Department.
- Fund balance in the amount of \$353,823 is restricted for debt service.
- Fund balance in the amount of \$870,130 is assigned for fiscal year 2022 budgets.
- Fund balance in the amount of \$244,349 is committed for open purchase orders existing at June 30, 2021.

- Fund balance in the amount of \$8,584,579 is unassigned and available for subsequent expenditures.

Portions of the Capital Projects Fund are as follows:

- Fund balance in the amount of \$1,214,521 is assigned for expenditures for general fund capital outlays.

26 Expenditures in Excess of Appropriations

The CSA (Children's Services Act) Fund had expenditures in excess of appropriations at June 30, 2021.

27 Risk Management

The City and School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Surety bonds of the City of Franklin, Virginia are as follows:

Division of Risk Management Surety Commonwealth Funds

Commissioner of Revenue	Brenda B. Rickman	\$ 3,000
Treasurer	Dinah M. Babb	500,000

28 Litigation

At June 30, 2021, there were no matters of litigation involving the City which would materially affect the City's financial position should any court decisions or pending matters not be favorable to such entities.

29 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10 percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

30 Restatement

The following adjustments were made to beginning net position and fund balance:

	<u>Component Unit School Board</u>		
	<u>Primary Governmental Activities</u>	<u>Net Position School Board</u>	<u>Fund Balance School Activity Funds</u>
Beginning Balance as previously reported - July 1, 2020	\$ 15,594,421	\$ (3,015,760)	\$ -
Implementation of GASB 84 to record School Activity Funds	-	125,934	125,934
Removal of jointly owned assets:			
Original cost	4,888,086	4,888,086	-
Accumulated depreciation	(3,250,268)	(3,250,268)	-
Recording of capital lease equipment			
Original cost	-	1,611,395	-
Accumulated depreciation	-	(322,279)	-
Removal of deferred outflows related to OPEB health insurance plan	-	(917,108)	-
Restated Balance - beginning of the year - July 1, 2020	<u>\$ 13,956,603</u>	<u>\$ (880,000)</u>	<u>\$ 125,934</u>

31 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis through November 19, 2021.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the City is taking appropriate actions to mitigate negative impacts to operating results. However, as there is still a significant level of uncertainty associated with the pandemic, the City continues to actively monitor developments and will take steps to respond accordingly. Revenue collection and projections for fiscal year 2022 have been conservatively budgeted and will require vigilant monitoring and reassessment.

REQUIRED SUPPLEMENTARY INFORMATION



Note to Required Supplementary Information

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

City of Franklin, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2021

General Fund

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
General property taxes	\$ 7,506,434	\$ 7,656,470	\$ 7,962,856	\$ 306,386
Other local taxes	4,742,500	5,253,676	6,350,185	1,096,509
Permits, privilege fees, and regulatory licenses	162,095	77,885	108,891	31,006
Fines and forfeitures	25,300	25,300	30,157	4,857
Revenue from use of money and property	240,311	240,311	215,103	(25,208)
Charges for services	1,889,003	1,873,003	1,819,085	(53,918)
Miscellaneous	1,591,242	1,602,390	1,615,209	12,819
Recovered costs	2,634,153	2,266,527	2,250,142	(16,385)
Intergovernmental				
Commonwealth	4,328,948	4,396,881	4,596,331	199,450
Federal	186,244	253,749	230,749	(23,000)
Total Revenues	23,306,230	23,646,192	25,178,708	1,532,516
Expenditures				
Current				
General government administration	2,809,685	3,034,004	2,966,298	67,706
Judicial administration	417,178	417,178	383,667	33,511
Public safety	9,885,093	10,078,527	8,542,170	1,536,357
Public works	2,461,274	2,836,903	2,350,511	486,392
Health and welfare	783,498	794,222	794,222	-
Education	4,830,237	4,830,237	4,830,237	-
Parks, recreation, and cultural	813,080	898,529	745,300	153,229
Community development	843,442	1,030,107	900,118	129,989
Debt service	180,453	121,389	110,822	10,567
Total Expenditures	23,023,940	24,041,096	21,623,345	2,417,751
Excess (Deficiency) of Revenues Over (Under) Expenditures	282,290	(394,904)	3,555,363	3,950,267
Other Financing Sources (Uses)				
Proceeds of capital leases	-	-	235,952	235,952
Transfers to debt service	(790,006)	(1,101,182)	(1,101,182)	-
Transfers in	1,856,615	1,942,459	1,839,393	(103,066)
Transfers (out)	(1,348,899)	(1,873,265)	(1,443,265)	430,000
Total Other Financing Sources (Uses)	(282,290)	(1,031,988)	(469,102)	562,886
Net Change in Fund Balances Before Transfer from Surplus	-	(1,426,892)	3,086,261	4,513,153
From Surplus	-	1,416,774	-	(1,416,774)
Net Change in Fund Balances	\$ -	\$ (10,118)	3,086,261	\$ 3,096,379
Fund Balance - Beginning of Year			8,436,035	
Fund Balance - End of Year			\$ 11,522,296	

Virginia Public Assistance Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ 35,000	\$ 35,000	\$ -
Intergovernmental				
Commonwealth	607,550	607,550	476,254	(131,296)
Federal	937,786	937,786	929,411	(8,375)
Total Revenues	1,545,336	1,580,336	1,440,665	(139,671)
Expenditures				
Current				
Health and welfare	2,097,602	2,142,248	1,700,871	441,377
Total Expenditures	2,097,602	2,142,248	1,700,871	441,377
Excess (Deficiency) of Revenues Over (Under) Expenditures	(552,266)	(561,912)	(260,206)	301,706
Other Financing Sources (Uses)				
Transfers in (out)	552,266	561,912	561,912	-
Total Other Financing Sources (Uses)	552,266	561,912	561,912	-
Net Change in Fund Balances Before Transfer from Surplus	-	-	301,706	301,706
From Surplus	-	-	-	-
Net Change in Fund Balances	\$ -	\$ -	301,706	\$ 301,706
Fund Balance - Beginning of Year			764,458	
Fund Balance - End of Year			\$ 1,066,164	

COVID-19 Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	1,535,887	2,082,326	546,439
Total Revenues	-	1,535,887	2,082,326	546,439
Expenditures				
Current				
Public safety	-	2,225,788	2,082,326	143,462
Total Expenditures	-	2,225,788	2,082,326	143,462
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(689,901)	-	689,901
Other Financing Sources (Uses)				
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances Before Transfer from Surplus	-	(689,901)	-	689,901
From Surplus	-	689,901	-	(689,901)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

City of Franklin, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios (Continued)

For the Plan Years Ended June 30

	Primary Government						
	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 899,889	\$ 905,990	\$ 875,835	\$ 925,511	\$ 971,564	\$ 970,766	\$ 960,215
Interest	2,664,687	2,688,424	2,616,486	2,527,091	2,442,204	2,330,900	2,227,952
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(49,321)	(1,361,200)	(465,422)	(69,781)	(225,106)	129,805	-
Changes of assumptions	-	1,070,509	-	(105,527)	-	-	-
Benefit payments	(2,467,926)	(1,997,965)	(2,000,456)	(1,999,992)	(1,951,971)	(1,730,880)	(1,704,071)
Net change in total pension liability	1,047,329	1,305,758	1,026,443	1,277,302	1,236,691	1,700,591	1,484,096
Total pension liability - beginning	40,710,801	39,405,043	38,378,600	37,101,298	35,864,607	34,164,016	32,679,920
Total pension liability - ending (a)	\$ 41,758,130	\$ 40,710,801	\$ 39,405,043	\$ 38,378,600	\$ 37,101,298	\$ 35,864,607	\$ 34,164,016
Plan fiduciary net position							
Contributions - employer	\$ 873,180	\$ 918,357	\$ 816,635	\$ 811,984	\$ 816,294	\$ 814,427	\$ 813,748
Contributions - employee	355,227	372,712	372,856	373,063	369,825	372,766	374,515
Net investment income	674,648	2,288,557	2,411,633	3,632,479	512,886	1,343,739	4,072,505
Benefit payments	(2,467,926)	(1,997,965)	(2,000,456)	(1,999,992)	(1,951,971)	(1,730,880)	(1,704,071)
Administrator charges	(23,821)	(22,773)	(21,091)	(21,347)	(19,122)	(18,654)	(22,183)
Other	(800)	(1,439)	(2,141)	(3,217)	(221)	(286)	214
Net change in plan fiduciary net position	(589,492)	1,557,449	1,577,436	2,792,970	(272,309)	781,112	3,534,728
Plan fiduciary net position - beginning	36,049,174	34,491,725	32,914,289	30,121,319	30,393,628	29,612,516	26,077,788
Plan fiduciary net position - ending (b)	\$ 35,459,682	\$ 36,049,174	\$ 34,491,725	\$ 32,914,289	\$ 30,121,319	\$ 30,393,628	\$ 29,612,516
Political subdivision's net pension liability - ending (a) - (b)	\$ 6,298,448	\$ 4,661,627	\$ 4,913,318	\$ 5,464,311	\$ 6,979,979	\$ 5,470,979	\$ 4,551,500
Plan fiduciary net position as a percentage of the total pension liability	84.92%	88.55%	87.53%	85.76%	81.19%	84.75%	86.68%
Covered payroll	\$ 7,428,465	7,792,591	7,630,497	7,507,194	\$ 7,368,240	\$ 7,586,380	\$ 7,460,063
Political subdivision's net pension liability as a percentage of covered payroll	84.79%	59.82%	64.39%	72.79%	94.73%	72.12%	61.01%

City of Franklin, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

For the Plan Years Ended June 30

	School Board General Employees						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability							
Service cost	\$ 38,741	\$ 35,438	\$ 45,828	\$ 47,678	\$ 47,491	\$ 48,778	\$ 47,021
Interest	129,027	124,077	124,787	122,651	122,398	118,981	114,045
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(298,266)	50,803	(48,609)	(38,551)	(77,469)	(29,062)	-
Changes of assumptions	-	50,719	-	(12,055)	-	-	-
Benefit payments	(70,058)	(174,059)	(90,246)	(88,152)	(89,460)	(90,309)	(90,796)
Net change in total pension liability	(200,556)	86,978	31,760	31,571	2,960	48,388	70,270
Total pension liability - beginning	1,946,536	1,859,558	1,827,798	1,796,227	1,793,267	1,744,879	1,674,609
Total pension liability - ending (a)	\$ 1,745,980	\$ 1,946,536	\$ 1,859,558	\$ 1,827,798	\$ 1,796,227	\$ 1,793,267	\$ 1,744,879
Plan fiduciary net position							
Contributions - employer	\$ 21,147	\$ 20,202	\$ 27,277	\$ 28,347	\$ 43,846	\$ 41,701	\$ 46,023
Contributions - employee	21,812	20,302	19,115	19,721	19,491	18,929	19,200
Net investment income	37,605	125,501	138,802	208,126	29,837	75,954	230,671
Benefit payments	(70,058)	(174,059)	(90,246)	(88,152)	(89,460)	(90,309)	(90,796)
Administrator charges	(1,279)	(1,364)	(1,212)	(1,217)	(1,071)	(1,055)	(1,253)
Other	(45)	(79)	(123)	(184)	(13)	(15)	12
Net change in plan fiduciary net position	9,182	(9,497)	93,613	166,641	2,630	45,205	203,857
Plan fiduciary net position - beginning	1,971,613	1,981,110	1,887,497	1,720,856	1,718,226	1,673,021	1,469,164
Plan fiduciary net position - ending (b)	\$ 1,980,795	\$ 1,971,613	\$ 1,981,110	\$ 1,887,497	\$ 1,720,856	\$ 1,718,226	\$ 1,673,021
Political subdivision's net pension liability - ending (a) - (b)	\$ (234,815)	\$ (25,077)	\$ (121,552)	\$ (59,699)	\$ 75,371	\$ 75,041	\$ 71,858
Plan fiduciary net position as a percentage of the total Pension liability	113.45%	101.29%	106.54%	103.27%	95.80%	95.82%	95.88%
Covered payroll	\$ 485,278	445,056	411,802	\$428,732	\$419,188	\$391,523	\$384,283
Political subdivision's net pension liability as a percentage of covered payroll	-48.39%	-5.63%	-29.52%	-13.92%	17.98%	19.17%	18.70%

City of Franklin, Virginia

Schedule of Employer's Share of Net Pension Liability
VRS Teacher Employee Retirement Plan

For the Measurement Dates of June 30, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.07200%	0.07987%	0.08655%	0.09610%	0.10034%	0.10104%	0.10813%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,477,891	\$ 10,511,346	\$ 10,178,000	\$ 11,818,000	\$ 14,062,000	\$ 12,717,000	\$ 13,067,000
Employer's Covered Payroll	\$ 6,337,909	6,746,816	7,048,968	\$ 7,636,068	\$ 7,645,748	\$ 6,781,114	\$ 7,889,430
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its covered payroll	165.321%	155.797%	144.390%	154.766%	183.919%	187.536%	165.627%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2020 is the seventh year for this presentation, there are only seven years of data is available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability for the VRS Teacher Retirement Plan for each year is presented on pages 116 and 117 of the VRS 2020 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions

VRS Political Subdivisions Retirement Plan and Teacher Retirement Plan

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2021	\$ 830,059	\$ 830,059	\$ -	\$ 7,034,396	11.80%
2020	895,664	895,664	-	7,428,465	12.08%
2019	941,347	941,347	-	7,792,591	12.08%
2018	837,601	837,601	-	7,630,497	10.98%
2017	824,531	824,531	-	7,507,194	10.98%
2016	815,838	815,838	-	7,368,240	11.07%
2015	814,427	814,427	-	7,586,380	10.74%
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
Component Unit School Board - General Employees					
2021	\$ 4,833	\$ 4,833	\$ -	\$ 537,311	0.90%
2020	24,409	24,409	-	485,278	5.03%
2019	22,387	22,387	-	445,056	5.03%
2018	29,278	29,278	-	411,802	7.11%
2017	30,483	30,483	-	428,732	7.11%
2016	44,719	44,719	-	419,188	10.67%
2015	41,697	41,697	-	391,523	10.65%
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
Component Unit School Board - Teachers					
2021	\$ 1,086,028	\$ 1,086,028	\$ -	\$ 6,833,198	15.89%
2020	993,784	993,784	-	6,337,909	15.68%
2019	1,057,678	1,057,678	-	6,746,816	15.68%
2018	1,150,064	1,150,064	-	7,048,968	16.32%
2017	1,246,206	1,246,206	-	7,636,068	16.32%
2016	1,068,615	1,068,615	-	7,645,748	13.98%
2015	1,081,012	1,081,012	-	6,781,114	15.94%
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2015 is not available.

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

Column 4 - Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

School Division

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Primary Government - City							
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.36130%		0.39870%		0.04016%		0.04081%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 602,591	\$	648,791	\$	610,000	\$	614,000
Employer's Covered Payroll	\$ 7,435,304	\$	7,815,638	\$	7,637,206	\$	7,527,197
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.10%		8.30%		7.99%		8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%		52.00%		51.22%		48.86%
Component Unit School Board - General Employees							
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00236%		0.00227%		0.00217%		0.00233%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 39,385	\$	36,939	\$	33,000	\$	36,000
Employer's Covered Payroll	\$ 485,278	\$	445,056	\$	411,802	\$	430,203
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.12%		8.30%		8.01%		8.37%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%		52.00%		51.22%		48.86%
Component Unit - Teachers							
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.03086%		0.03466%		0.03732%		0.04145%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 515,003	\$	564,011	\$	567,000	\$	624,000
Employer's Covered Payroll	\$ 6,350,666	\$	6,794,021	\$	7,095,851	\$	7,646,683
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.11%		8.30%		7.99%		8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%		52.00%		51.22%		48.86%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four years of data is available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the VRS Group Life Insurance Program (GLI) for each year is presented on page 128 of the VRS 2020 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Group Life Insurance OPEB Plan

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2021	\$ 38,037	\$ 38,037	\$ -	\$ 7,044,061	0.54%
2020	38,651	38,651	-	7,435,304	0.52%
2019	40,642	40,642	-	7,815,638	0.52%
2018	39,713	39,713	-	7,637,206	0.52%
2017	39,141	39,141	-	7,527,197	0.52%
2016	39,792	39,792	-	7,507,921	0.53%
2015	39,507	39,507	-	7,454,105	0.53%
2014	39,317	39,317	-	7,418,210	0.53%
2013	36,558	36,558	-	6,897,674	0.53%
2012	29,840	29,840	-	6,781,911	0.44%
Component Unit School Board - General Employees					
2021	\$ 2,928	\$ 2,928	\$ -	\$ 542,148	0.54%
2020	2,523	2,523	-	485,278	0.52%
2019	2,314	2,314	-	445,056	0.52%
2018	2,142	2,142	-	411,802	0.52%
2017	2,237	2,237	-	430,203	0.52%
2016	2,222	2,222	-	419,188	0.53%
2015	2,077	2,077	-	391,874	0.53%
2014	2,036	2,036	-	384,283	0.53%
2013	2,007	2,007	-	378,677	0.53%
2012	1,623	1,623	-	368,949	0.44%
Component Unit School Board - Teachers					
2021	\$ 37,337	\$ 37,337	\$ -	\$ 6,914,197	0.54%
2020	33,023	33,023	-	6,350,666	0.52%
2019	35,329	35,329	-	6,794,021	0.52%
2018	36,851	36,851	-	7,095,851	0.52%
2017	39,763	39,763	-	7,646,683	0.52%
2016	40,663	40,663	-	7,672,284	0.53%
2015	39,863	39,863	-	7,521,373	0.53%
2014	42,098	42,098	-	7,943,035	0.53%
2013	39,632	39,632	-	7,477,751	0.53%
2012	32,558	32,558	-	7,399,629	0.44%

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer's covered payroll
 Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website
 Column 4 – Employer's covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – GLI OPEB

For the Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

City of Franklin, Virginia

Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability
and Related Ratios - School Board General Employees

For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School Board - General Employees				
Total HIC OPEB liability				
Service cost	\$ 578	\$ 544	\$ 562	\$ 608
Interest	2,381	2,373	2,299	2,331
Changes in benefit terms	1,875	-	-	-
Difference between expected and actual experience	(3,047)	509	1,198	-
Changes of assumptions	-	735	-	(929)
Benefit payments	<u>(2,856)</u>	<u>(2,741)</u>	<u>(3,241)</u>	<u>(1,720)</u>
Net change in total HIC OPEB liability	(1,069)	1,420	818	290
Total HIC OPEB liability - beginning	36,695	35,275	34,457	34,167
Total HIC OPEB liability - ending (a)	<u>\$ 35,626</u>	<u>\$ 36,695</u>	<u>\$ 35,275</u>	<u>\$ 34,457</u>
Plan fiduciary net position				
Contributions - employer	\$ 825	\$ 756	\$ 868	\$ 900
Net investment income	660	2,045	2,370	3,542
Benefit payments	(2,856)	(2,741)	(3,241)	(1,720)
Administrator charges	(61)	(44)	(53)	(56)
Other	<u>-</u>	<u>(2)</u>	<u>(183)</u>	<u>183</u>
Net change in plan fiduciary net position	(1,432)	14	(239)	2,849
Plan fiduciary net position - beginning	33,626	33,612	33,851	31,002
Plan fiduciary net position - ending (b)	<u>\$ 32,194</u>	<u>\$ 33,626</u>	<u>\$ 33,612</u>	<u>\$ 33,851</u>
Political subdivision's net HIC OPEB liability - ending (a) - (b)	<u>\$ 3,432</u>	<u>\$ 3,069</u>	<u>\$ 1,663</u>	<u>\$ 606</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	90.37%	91.64%	95.29%	98.24%
Covered payroll	\$ 485,278	\$ 445,056	\$ 411,802	\$ 430,203
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	0.71%	0.69%	0.40%	0.14%

City of Franklin, Virginia

Schedule of Employer Contributions - HIC OPEB School Board General Employees

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 860	\$ 860	-	\$ 537,311	0.16%
2020	825	825	-	485,278	0.17%
2019	756	756	-	445,056	0.17%
2018	865	865	-	411,802	0.21%
2017	903	903	-	430,203	0.21%
2016	964	964	-	419,188	0.23%
2015	901	901	-	391,874	0.23%
2014	1,076	1,076	-	384,283	0.28%
2013	1,057	1,057	-	377,456	0.28%
2012	1,299	1,299	-	371,177	0.35%

For Reference Only

Column 1 – Employer contribution rate multiplied by the employer’s covered payroll

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website

Column 4 – Employer’s covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – HIC OPEB School Board General Employees

For the Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Health Insurance Credit Program (HIC) Teacher

For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.07230%	0.08044%	0.08722%	0.09670%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 943,035	\$ 1,053,038	\$ 1,108,000	\$ 1,227,000
Employer's Covered Payroll	\$ 6,337,909	\$ 6,746,816	\$ 7,054,104	\$ 7,631,713
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	14.88%	15.61%	15.71%	16.08%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	9.95%	8.97%	8.08%	7.04%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four years of data is available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Health Insurance Credit (HIC) for each year is presented on page 134 of the VRS 2020 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Health Insurance Credit - Teacher

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2021	\$ 82,682	\$ 82,682	\$ -	\$ 6,833,198	1.21%
2020	76,055	76,055	-	6,337,909	1.20%
2019	80,962	80,962	-	6,746,816	1.20%
2018	86,702	86,702	-	7,054,104	1.23%
2017	93,871	93,871	-	7,631,713	1.23%
2016	90,273	90,273	-	7,650,222	1.18%
2015	88,641	88,641	-	7,511,954	1.18%
2014	92,531	92,531	-	7,908,612	1.17%
2013	85,833	85,833	-	7,336,161	1.17%
2012	78,293	78,293	-	7,249,378	1.08%

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer’s covered payroll
- Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website
- Column 4 – Employer’s covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – HIC OPEB Teacher

For the Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Line of Duty Act Program (LODA)

For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net LODA OPEB Liability (Asset)	0.30251%	0.33655%	0.34623%	0.32616%
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	\$ 1,266,958	\$ 1,207,000	\$ 1,085,000	\$ 857,000
Covered-Employee Payroll	\$ 2,720,045	\$ 2,758,828	\$ 2,594,611	\$ 2,701,124
Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	46.58%	43.75%	41.82%	31.73%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%	0.79%	0.60%	1.30%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four years of data are available. However, additional years will be included as they become available.

*The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Line of Duty Act Program (LODA) for each year is presented on page 132 of the VRS 2020 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Line of Duty Act Program (LODA)

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)**	Contributions as a % of Covered Employee Payroll (5)
2021	\$ 135,393	\$ 135,393	\$ -	\$ 2,796,220	4.84%
2020	41,111	41,111	-	2,720,045	1.51%
2019	45,169	45,169	-	2,758,828	1.64%
2018	36,879	36,879	-	2,594,611	1.42%
2017	35,177	35,177	-	2,701,124	1.30%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A

*The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2018 is not available.

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer’s covered payroll
- Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website
- Column 4 – Employer’s covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – LODA OPEB

For the Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Employees in the Largest Ten Locality Employers With Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Employees in the Non-Largest Ten Locality Employers With Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP) - City

For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.43511%	0.54747%	0.65156%	0.57235%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ 4,344	\$ 11,091	\$ 5,000	\$ 3,000
Employer's Covered Payroll	\$ 1,621,403	\$ 1,691,845	\$ 1,582,032	\$ 1,050,992
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.27%	0.66%	0.32%	0.29%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	76.84%	49.19%	51.39%	38.40%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 131 of the VRS 2020 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Virginia Local Disability Program - City

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2021	\$ 14,522	\$ 14,522	\$ -	\$ 1,749,612	0.83%
2020	11,674	11,674	-	1,621,403	0.72%
2019	10,489	10,489	-	1,691,845	0.62%
2018	9,492	9,492	-	1,582,032	0.60%
2017	6,306	6,306	-	1,050,992	0.60%
2016	3,942	3,942	-	657,010	0.60%
2015	2,528	2,528	-	421,275	0.60%
2014	462	462	-	76,996	0.60%
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2014 is not available.

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer’s covered payroll
- Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website
- Column 4 – Employer’s covered payroll amount for the fiscal year

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP) - School Board General Employees

For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.06580%		0.06310%		0.06317%		0.09421%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ 657	\$	1,279	\$	-	\$	1,000
Employer's Covered Payroll	\$ 245,151	\$	195,068	\$	153,384	\$	173,005
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.27%		0.66%		0.00%		0.58%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	76.84%		49.49%		51.39%		38.40%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 131 of the VRS 2020 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Virginia Local Disability Program - School Board General Employees

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2021	\$ 2,787	\$ 2,787	\$ -	\$ 335,766	0.83%
2020	1,765	1,765	-	245,151	0.72%
2019	1,209	1,209	-	195,068	0.62%
2018	920	920	-	153,384	0.60%
2017	1,038	1,038	-	173,005	0.60%
2016	881	881	-	146,862	0.60%
2015	399	399	-	66,432	0.60%
2014	8	8	-	1,414	0.57%
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2014 is not available.

For Reference Only

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer’s covered payroll
- Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website
- Column 4 – Employer’s covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – VLDP OPEB

For the Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

City of Franklin, Virginia

Schedule of Employer's Share of Net OPEB Liability
Virginia Local Disability Program (VLDP) - Teacher

For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net VLDP OPEB Liability (Asset)	0.42070%	0.54769%	0.63101%	0.71370%
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)	\$ 3,375	\$ 3,184	\$ 5,000	\$ 4,000
Employer's Covered Payroll	\$ 2,488,571	\$ 2,626,346	\$ 2,352,849	\$ 2,014,073
Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	0.14%	0.12%	0.21%	0.20%
Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability	78.28%	74.12%	46.18%	31.96%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year of presentation, only four years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Virginia Local Disability (VLDP) for each year is presented on page 130 of the VRS 2020 Annual Report.

City of Franklin, Virginia

Schedule of Employer Contributions
Virginia Local Disability Program - Teacher

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2021	\$ 14,473	\$ 14,473	\$ -	\$ 3,079,324	0.47%
2020	10,203	10,203	-	2,488,571	0.41%
2019	10,768	10,768	-	2,626,346	0.41%
2018	7,264	7,264	-	2,352,849	0.31%
2017	6,244	6,244	-	2,014,073	0.31%
2016	4,616	4,616	-	1,591,555	0.29%
2015	2,336	2,336	-	805,456	0.29%
2014	85	85	-	29,193	0.29%
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2014 is not available.

For Reference Only

- Column 1 – Employer contribution rate multiplied by the employer’s covered payroll
- Column 2 – Employer contributions as referenced in Covered Payroll & Contributions Report on VRS website
- Column 4 – Employer’s covered payroll amount for the fiscal year

City of Franklin, Virginia

Notes to Required Supplementary Information – VLDP OPEB Teacher

For the Year Ended June 30, 2021

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

City of Franklin

Schedule of Changes in the Political Subdivision's Total OPEB Liability
and Related Ratios - Retiree Health Insurance

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 103,431	\$ 86,378	\$ 70,757	\$ 100,083
Interest on total OPEB liability	56,794	91,092	91,160	94,478
Effect of plan changes	-	-	-	-
Effect of economic/demographic gains (losses)	571,642	-	(201,972)	-
Effect of assumption changes or inputs	(253,001)	86,320	347,156	(56,168)
Benefit payments	<u>(342,480)</u>	<u>(284,148)</u>	<u>(270,954)</u>	<u>(231,388)</u>
Net change in total OPEB liability	136,386	(20,358)	36,147	(92,995)
Total OPEB liability - beginning	<u>2,636,762</u>	<u>2,657,120</u>	<u>2,620,973</u>	<u>2,713,968</u>
Total OPEB liability - ending	<u>\$ 2,773,148</u>	<u>\$ 2,636,762</u>	<u>\$ 2,657,120</u>	<u>\$ 2,620,973</u>
Covered payroll	\$ 7,200,753	\$ 7,897,505	\$ 7,897,505	\$ 7,630,497
Total OPEB liability as a % of covered payroll	38.51%	33.39%	33.65%	34.35%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

City of Franklin, Virginia

Schedule of Employer Contributions for OPEB Retiree Health Insurance

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 1,036,959	\$ 1,036,959	\$ -	\$ 7,200,753	14.40%
2020	1,135,619	1,135,619	-	7,897,505	14.38%
2019	1,272,771	1,272,771	-	7,897,505	16.12%
2018	1,143,136	1,143,136	-	7,630,497	14.98%
2017	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

City of Franklin

Schedule of Changes in the Political Subdivision's Total OPEB Liability
and Related Ratios - Retiree Health Insurance Schools

Schools	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 32,279	\$ 33,362	\$ 31,736	\$ 38,938
Interest on total OPEB liability	12,796	18,757	20,012	25,284
Effect of plan changes	-	-	-	-
Effect of economic/demographic gains (losses)	(126,384)	-	(202,093)	-
Effect of assumption changes or inputs	8,129	35,010	(226)	(18,679)
Benefit payments	<u>(44,442)</u>	<u>(41,375)</u>	<u>(27,440)</u>	<u>(55,357)</u>
Net change in total OPEB liability	(117,622)	45,754	(178,011)	(9,814)
Total OPEB liability - beginning	<u>568,814</u>	<u>523,060</u>	<u>701,071</u>	<u>710,885</u>
Total OPEB liability - ending	<u>\$ 451,192</u>	<u>\$ 568,814</u>	<u>\$ 523,060</u>	<u>\$ 701,071</u>
Covered payroll	\$ 6,001,573	\$ 6,656,676	\$ 6,656,676	\$ 6,647,800
Total OPEB liability as a % of covered payroll	7.52%	8.55%	7.86%	10.55%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

OTHER SUPPLEMENTARY INFORMATION



City of Franklin, Virginia

Combining Balance Sheet

Nonmajor Special Revenue Funds

As of June 30, 2021

	Children Services Act Fund	Regional Fire Training Grounds Fund	Foundation Grants Fund	Block Grant Fund	Community Development Downtown Grant Fund	Madison Street Project Fund	Western Tidewater Home Consortium Fund	Neighborhood Stabilization Program Fund	Cobbtown Grant Fund	Police Federal Forfeiture Fund	Police State Forfeiture Fund	Police Evidence Holding Fund	Camp Homestead Fund	Economic Development Fund	Willie Camp Younts Fund	Southview Cemetery Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total
Assets																			
Cash and cash equivalents	\$ -	\$ 19,503	\$ 105,943	\$ 87,561	\$ 23,914	\$ 8,572	\$ -	\$ 7,250	\$ -	\$ 9,105	\$ 11,617	\$ 1,477	\$ -	\$ 112,753	\$ 45,682	\$ 3,412	\$ 124,912	\$ 12,914	\$ 574,615
Accounts receivable (net)	636	-	-	-	-	-	133,334	-	42,400	-	-	-	-	-	-	-	-	-	176,370
Loan receivable	-	-	-	66,049	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,049
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other governmental units	22,177	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,177
Total Assets	\$ 22,813	\$ 19,503	\$ 105,943	\$ 153,610	\$ 23,914	\$ 8,572	\$ 133,334	\$ 7,250	\$ 42,400	\$ 9,105	\$ 11,617	\$ 1,477	\$ -	\$ 112,753	\$ 45,682	\$ 3,412	\$ 124,912	\$ 12,914	\$ 839,211
Liabilities and Fund Balances																			
Liabilities																			
Reconciled overdraft	\$ 26,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,959	\$ -	\$ 8,703	\$ -	\$ -	\$ -	\$ 1,991	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,950
Accounts payable and accrued expenses	24,517	33	1,794	-	-	-	51,503	-	-	-	-	-	-	8,350	-	-	-	-	86,197
Deposits held in escrow	-	-	-	-	20,240	-	-	-	-	-	-	-	-	14,394	-	-	-	-	34,634
Total Liabilities	50,814	33	1,794	-	20,240	-	106,462	-	8,703	-	-	-	1,991	22,744	-	-	-	-	212,781
Fund Balances																			
<i>Nonspendable</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Restricted</i>																			
Public safety	-	19,470	104,149	-	-	-	-	-	-	9,105	11,617	1,477	-	-	-	-	-	-	145,818
Parks, recreation, and cultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,682	3,412	124,912	12,914	186,920
Community development	-	-	-	153,610	3,674	8,572	26,872	7,250	33,697	-	-	-	-	90,009	-	-	-	-	323,684
Health and welfare	(28,001)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(28,001)
<i>Unassigned</i>	-	-	-	-	-	-	-	-	-	-	-	-	(1,991)	-	-	-	-	-	(1,991)
Total Fund Balances (Deficit)	(28,001)	19,470	104,149	153,610	3,674	8,572	26,872	7,250	33,697	9,105	11,617	1,477	(1,991)	90,009	45,682	3,412	124,912	12,914	626,430
Total Liabilities and Fund Balances	\$ 22,813	\$ 19,503	\$ 105,943	\$ 153,610	\$ 23,914	\$ 8,572	\$ 133,334	\$ 7,250	\$ 42,400	\$ 9,105	\$ 11,617	\$ 1,477	\$ -	\$ 112,753	\$ 45,682	\$ 3,412	\$ 124,912	\$ 12,914	\$ 839,211

City of Franklin, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year Ended June 30, 2021

	Children Services Act Fund	Regional Fire Training Grounds Fund	Foundation Grants Fund	Block Grant Fund	Community Development Downtown Grant Fund	Madison Street Project Fund	Western Tidewater Home Consortium Fund	Neighborhood Stabilization Program Fund	Cobbtown Grant Fund	Police Federal Forfeiture Fund	Police State Forfeiture Fund	Police Evidence Holding Fund	Camp Homestead Fund	Economic Development Fund	Willie Camp Younts Fund	Southview Cemetery Trust Fund	Cemetery Perpetual Care Trust Fund	Charles Smith Cemetery Trust Fund	Total
Revenues																			
Revenue from use of money and property	\$ -	\$ 4,500	\$ -	\$ 3,767	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,275	\$ 130	\$ -	\$ 1,513	\$ 59	\$ 141,244
Miscellaneous	5,098	-	138,150	-	-	-	144,827	-	-	-	-	-	-	1,877	-	-	-	-	289,952
Intergovernmental																			
Commonwealth of Virginia	151,955	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	151,955
Federal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	157,053	4,500	138,150	3,767	-	-	144,827	-	-	-	-	-	-	133,152	130	-	1,513	59	583,151
Expenditures																			
Current																			
Public safety	-	4,037	44,894	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,931
Health and welfare	263,116	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	263,116
Parks, recreation, and cultural	-	-	42,070	-	-	-	-	-	-	-	-	-	-	-	980	25	25	-	43,100
Community development	-	-	-	-	-	-	139,666	-	-	-	-	-	-	242,782	-	-	-	-	382,448
Total Expenditures	263,116	4,037	86,964	-	-	-	139,666	-	-	-	-	-	-	242,782	980	25	25	-	737,595
Excess (Deficiency) of Expenditures Over (Under) Revenues	(106,063)	463	51,186	3,767	-	-	5,161	-	-	-	-	-	-	(109,630)	(850)	(25)	1,488	59	(154,444)
Other Financing Sources (Uses)																			
Transfers in (out)	141,096	-	-	-	-	-	-	-	-	-	-	-	-	159,351	-	-	-	-	300,447
Total Other Financing Sources (Uses)	141,096	-	-	-	-	-	-	-	-	-	-	-	-	159,351	-	-	-	-	300,447
Net Change in Fund Balances	35,033	463	51,186	3,767	-	-	5,161	-	-	-	-	-	-	49,721	(850)	(25)	1,488	59	146,003
Fund Balances (Deficit) - Beginning of Year	(63,034)	19,007	52,963	149,843	3,674	8,572	21,711	7,250	33,697	9,105	11,617	1,477	(1,991)	40,288	46,532	3,437	123,424	12,855	480,427
Fund Balances (Deficit) - End of Year	<u>\$ (28,001)</u>	<u>\$ 19,470</u>	<u>\$ 104,149</u>	<u>\$ 153,610</u>	<u>\$ 3,674</u>	<u>\$ 8,572</u>	<u>\$ 26,872</u>	<u>\$ 7,250</u>	<u>\$ 33,697</u>	<u>\$ 9,105</u>	<u>\$ 11,617</u>	<u>\$ 1,477</u>	<u>\$ (1,991)</u>	<u>\$ 90,009</u>	<u>\$ 45,682</u>	<u>\$ 3,412</u>	<u>\$ 124,912</u>	<u>\$ 12,914</u>	<u>\$ 626,430</u>

City of Franklin, Virginia

Combining Statement of Fiduciary Net Position

Custodial Funds

As of June 30, 2021

	<u>Special Welfare - SSI Fund</u>	<u>Special Welfare Fund</u>	<u>Flexible Spending Fund</u>	<u>Employee Emergency Trust Fund</u>	<u>Smart Beginnings Fund</u>	<u>Fire and Rescue Volunteers Fund</u>	<u>Children's Center Fund</u>
Assets							
Cash and cash equivalents	\$ 13,595	\$ 7,370	\$ 15,055	\$ 11,871	\$ 16,110	\$ 50,222	\$ 55
Accounts receivable	-	-	-	-	14,341	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 13,595</u>	<u>\$ 7,370</u>	<u>\$ 15,055</u>	<u>\$ 11,871</u>	<u>\$ 30,451</u>	<u>\$ 50,222</u>	<u>\$ 55</u>
Liabilities							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 7,815	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fiduciary Net Position	<u>13,595</u>	<u>7,370</u>	<u>15,055</u>	<u>11,871</u>	<u>22,636</u>	<u>50,222</u>	<u>55</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fiduciary Net Position	<u>\$ 13,595</u>	<u>\$ 7,370</u>	<u>\$ 15,055</u>	<u>\$ 11,871</u>	<u>\$ 30,451</u>	<u>\$ 50,222</u>	<u>\$ 55</u>

City of Franklin, Virginia

Combining Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	<u>Special Welfare - SSI Fund</u>	<u>Special Welfare Fund</u>	<u>Flexible Spending Fund</u>	<u>Employee Emergency Trust Fund</u>	<u>Smart Beginnings Fund</u>	<u>Fire and Rescue Volunteers Fund</u>	<u>Children's Center Fund</u>	<u>Custodial Funds</u>
Additions								
Miscellaneous income	\$ 3,584	\$ 1,240	\$ 20,729	\$ -	\$ 93,292	\$ 30	\$ -	\$ 118,875
Revenue from Commonwealth of Virginia	-	-	-	-	35,230	-	-	35,230
Revenue from City of Franklin	-	-	-	-	-	-	644,967	644,967
Contributions from members	-	-	25,567	-	-	-	-	25,567
Local grant funds and other donations	-	7,135	-	-	58,000	6,425	-	71,560
Investment earnings - interest income	-	-	-	1	-	-	-	1
Total Additions	3,584	8,375	46,296	1	186,522	6,455	644,967	896,200
Deductions								
Program and administrative expenses	<u>1,849</u>	<u>9,493</u>	<u>46,743</u>	<u>487</u>	<u>190,221</u>	<u>3,762</u>	<u>644,967</u>	<u>897,522</u>
Total Deductions	<u>1,849</u>	<u>9,493</u>	<u>46,743</u>	<u>487</u>	<u>190,221</u>	<u>3,762</u>	<u>644,967</u>	<u>897,522</u>
Net Increase (Decrease) in Fiduciary Net Position	1,735	(1,118)	(447)	(486)	(3,699)	2,693	-	(1,322)
Net Position - Beginning	<u>11,860</u>	<u>8,488</u>	<u>15,502</u>	<u>12,357</u>	<u>26,335</u>	<u>47,529</u>	<u>55</u>	<u>122,126</u>
Net Position - Ending	<u>\$ 13,595</u>	<u>\$ 7,370</u>	<u>\$ 15,055</u>	<u>\$ 11,871</u>	<u>\$ 22,636</u>	<u>\$ 50,222</u>	<u>\$ 55</u>	<u>\$ 120,804</u>

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

School Operating Fund accounts for the School Board's elementary, middle, and high schools. The Textbook Fund accounts for the distribution of textbooks to students. The Cafeteria Fund accounts for the operations of the school food services. The School Activity Fund accounts for activities within the individual schools held for the extracurricular activities and fees charged by each school for student activities.

City of Franklin, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
As of June 30, 2021

	School Operating Fund	Cafeteria Fund	Textbook Fund	School Activity Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,337,686	\$ 564,497	\$ 172,767	\$ 91,874	\$ 2,166,824
<i>Receivables (net of allowance for uncollectibles)</i>					
Accounts receivable	34,642	10,072	168	-	44,882
Due from other funds	-	1,725	82,094	-	83,819
Prepaid items	22,000	-	-	-	22,000
Due from other governmental units	595,122	60,742	-	-	655,864
Inventories	-	31,116	-	-	31,116
Total Assets	<u>\$ 1,989,450</u>	<u>\$ 668,152</u>	<u>\$ 255,029</u>	<u>\$ 91,874</u>	<u>\$ 3,004,505</u>
Liabilities and Fund Balances					
Liabilities					
Due to other funds	\$ 83,819	\$ -	\$ -	\$ -	\$ 83,819
Accounts payable and accrued liabilities	<u>1,273,710</u>	<u>93,407</u>	<u>-</u>	<u>-</u>	<u>1,367,117</u>
Total Liabilities	1,357,529	93,407	-	-	1,450,936
Fund Balances					
<i>Nonspendable</i>					
Prepaid items	22,000	-	-	-	22,000
Inventory	-	31,116	-	-	31,116
<i>Restricted</i>					
Special revenue	-	543,629	255,029	91,874	890,532
<i>Unassigned</i>					
	<u>609,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>609,921</u>
Total Fund Balances	<u>631,921</u>	<u>574,745</u>	<u>255,029</u>	<u>91,874</u>	<u>1,553,569</u>
Total Liabilities and Fund Balances	<u>\$ 1,989,450</u>	<u>\$ 668,152</u>	<u>\$ 255,029</u>	<u>\$ 91,874</u>	<u>\$ 3,004,505</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:					
Total fund balances per above					\$ 1,553,569
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The amounts reported below are net of accumulated depreciation.					
Land and improvements				\$ 94,379	
Buildings				5,566,284	
Machinery and equipment				2,998,656	
Infrastructure				4,134,646	
Construction in progress				<u>463,710</u>	13,257,675
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.					
Pension related items				(253,439)	
OPEB related items				<u>(327,672)</u>	(581,111)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.					
Net OPEB liabilities				(1,956,079)	
Net pension asset				234,815	
Net pension liability				(10,477,891)	
Compensated absences				(268,167)	
Capital lease obligations				<u>(1,258,961)</u>	<u>(13,726,283)</u>
Net Position of Governmental Activities					<u>\$ 503,850</u>

City of Franklin, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2021

	School Operating Fund	Cafeteria Fund	Textbook Fund	School Activity Fund	Total Governmental Funds
Revenues					
Revenue from use of money and property	\$ -	\$ -	\$ 14	\$ -	\$ 14
Charges for services	3,650	6,118	-	-	9,768
Miscellaneous	176,367	12,079	-	144,631	333,077
Intergovernmental Revenues					
Local government	4,830,237	-	-	-	4,830,237
Commonwealth	8,696,032	15,326	-	-	8,711,358
Federal	2,241,027	1,328,946	-	-	3,569,973
Total Revenues	15,947,313	1,362,469	14	144,631	17,454,427
Expenditures					
Current					
<i>Education</i>					
Instruction	10,681,753	-	47,577	178,691	10,908,021
Administration, attendance and health	1,414,911	-	-	-	1,414,911
Transportation	413,112	-	-	-	413,112
Operations and maintenance	2,477,744	-	-	-	2,477,744
Technology	797,401	-	-	-	797,401
Food services	-	1,186,764	-	-	1,186,764
Debt service	169,405	-	-	-	169,405
Total Expenditures	15,954,326	1,186,764	47,577	178,691	17,367,358
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,013)	175,705	(47,563)	(34,060)	87,069
Other Financing Sources (Uses)					
Transfers in (out)	(76,330)	-	76,330	-	-
Total Other Financing Sources (Uses)	(76,330)	-	76,330	-	-
Net Change in Fund Balances	(83,343)	175,705	28,767	(34,060)	87,069
Fund Balances - Beginning, as Restated	715,264	399,040	226,262	125,934	1,466,500
Fund Balances - Ending	\$ 631,921	\$ 574,745	\$ 255,029	\$ 91,874	\$ 1,553,569
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:					
Net changes in fund balances - total governmental funds - per above					\$ 87,069
<i>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is a computation of these differences.</i>					
Capital asset additions				\$ 1,289,915	
Depreciation expense				(933,229)	356,686
<i>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</i>					
Change in compensated absences				(38,569)	
OPEB expense				159,759	
Pension expense				699,506	820,696
<i>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The following is the net effect of these differences in the treatment of long-term debt and related items.</i>					
Lease payments				119,399	119,399
					\$ 1,383,850

City of Franklin, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2021

	<u>School Operating Fund</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Revenue from use of money and property	\$ 500	\$ 500	\$ -	\$ (500)
Charges for services	1,248	1,248	3,650	2,402
Miscellaneous	164,050	304,118	176,367	(127,751)
Intergovernmental				
Local government	5,082,395	4,830,237	4,830,237	-
Commonwealth	8,798,936	8,793,399	8,696,032	(97,367)
Federal	<u>2,019,501</u>	<u>6,195,654</u>	<u>2,241,027</u>	<u>(3,954,627)</u>
Total Revenues	16,066,630	20,125,156	15,947,313	(4,177,843)
Expenditures				
Current				
<i>Education</i>				
Instruction	11,075,165	15,046,584	10,681,753	4,364,831
Administration, attendance and health	1,387,551	1,512,191	1,414,911	97,280
Transportation	630,061	446,800	413,112	33,688
Food services	58,600	71,679	-	71,679
Operations and maintenance	1,718,114	2,463,931	2,477,744	(13,813)
Technology	937,705	952,159	797,401	154,758
Debt service	<u>259,434</u>	<u>259,434</u>	<u>169,405</u>	<u>90,029</u>
Total Expenditures	<u>16,066,630</u>	<u>20,752,778</u>	<u>15,954,326</u>	<u>4,798,452</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(627,622)	(7,013)	620,609
Other Financing Sources (Uses)				
Transfers (out)	<u>-</u>	<u>(75,536)</u>	<u>(76,330)</u>	<u>(794)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(75,536)</u>	<u>(76,330)</u>	<u>(794)</u>
Net Change in Fund Balances before Transfer from Surplus	-	(703,158)	(83,343)	619,815
From Surplus	<u>-</u>	<u>703,158</u>	<u>-</u>	<u>(703,158)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(83,343)	<u>\$ (83,343)</u>
Fund Balances - Beginning			<u>715,264</u>	
Fund Balances - Ending			<u>\$ 631,921</u>	

DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY

City of Franklin, Virginia

Statement of Net Position

Discretely Presented Component Unit - Industrial Development Authority

As of June 30, 2021

	Industrial Development Authority
Assets	
Current Assets	
Cash and cash equivalents	\$ 14,321
Total Assets	<u>\$ 14,321</u>
Net Position	
Unrestricted - community development	\$ 14,321
Total Net Position	<u>\$ 14,321</u>

City of Franklin, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2021

	Industrial Development Authority
Operating Revenues	
Contribution from City - AFID grant	\$ 40,000
	<u>40,000</u>
Total Revenues	<u>40,000</u>
Expenditures	
AFID grant expenses	<u>40,000</u>
Operating Income	<u>-</u>
Nonoperating Revenues	
Interest income	<u>1</u>
Change in Net Position	1
Total Net Position - Beginning	<u>14,320</u>
Total Net Position - Ending	<u>\$ 14,321</u>

City of Franklin, Virginia

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2021

	Industrial Development Authority
Cash Flows from Operating Activities	
Operating grants	\$ 40,000
Payments to suppliers for goods and services	<u>(40,000)</u>
Net Cash Provided by (Used in) Operating Activities	-
Cash Flows from Investing Activities	
Interest income	<u>1</u>
Net Cash Provided by Investing Activities	<u>1</u>
Net Increase in Cash and Cash Equivalents	1
Cash and Cash Equivalents - Beginning	<u>14,320</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 14,321</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ -</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ -</u></u>

City of Franklin, Virginia

Schedule of Revenues and Other Financing Sources - Budget and Actual

For the Year Ended June 30, 2021

General Fund

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund				
Revenue from Local Sources				
<i>General Property Taxes</i>				
Real property taxes	\$ 5,855,484	\$ 6,005,520	\$ 5,863,711	\$ (141,809)
Real and personal public service corporation taxes	80,150	80,150	84,196	4,046
Personal property taxes	1,433,200	1,433,200	1,801,372	368,172
Machinery and tools taxes	20,600	20,600	-	(20,600)
Penalties	70,000	70,000	120,149	50,149
Interest	47,000	47,000	93,428	46,428
Total General Property Taxes	7,506,434	7,656,470	7,962,856	306,386
<i>Other Local Taxes</i>				
Local sales and use taxes	1,450,000	1,761,176	2,111,038	349,862
Consumers' utility taxes	545,000	545,000	525,033	(19,967)
Probate taxes	1,500	1,500	1,019	(481)
Electric consumption taxes	16,000	16,000	31,093	15,093
Business license taxes	791,500	791,500	1,020,193	228,693
Motor vehicle license taxes	185,000	185,000	227,080	42,080
Bank stock taxes	50,000	50,000	43,643	(6,357)
Taxes on recordation and wills	50,000	50,000	70,004	20,004
Cigarette taxes	292,000	292,000	337,113	45,113
Lodging taxes	128,000	128,000	178,791	50,791
Restaurant food taxes	1,233,500	1,433,500	1,805,178	371,678
Total Other Local Taxes	4,742,500	5,253,676	6,350,185	1,096,509
<i>Permits, Privilege Fees, and Regulatory Licenses</i>				
Animal licenses	3,500	3,500	3,183	(317)
Building and related permits	131,595	53,910	68,754	14,844
Permits and other licenses	27,000	20,475	36,954	16,479
Total Permits, Privilege Fees, and Regulatory Licenses	162,095	77,885	108,891	31,006
<i>Fines and Forfeitures</i>				
Court fines and forfeitures	25,300	25,300	30,157	4,857
Total Fines and Forfeitures	25,300	25,300	30,157	4,857

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<i>Revenues from Use of Money and Property</i>				
Revenue from use of money	1,500	1,500	1,706	206
Revenue from use of property	238,811	238,811	213,397	(25,414)
Total Revenue from Use of Money and Property	240,311	240,311	215,103	(25,208)
<i>Charges for Services</i>				
Law library and court fees	5,200	5,200	2,664	(2,536)
J & D Services - Southampton County	4,100	4,100	4,100	-
Police services	1,850	1,850	300	(1,550)
Fire and emergency services	57,000	57,000	61,893	4,893
Ambulance services	400,000	400,000	339,556	(60,444)
Janitorial services	17,500	17,500	18,226	726
Waste collection and disposal	287,391	287,391	287,391	-
Administration - water and sewer	407,055	407,055	407,055	-
Administration - airport	20,612	20,612	20,612	-
Administration - electric	651,295	651,295	651,295	-
Recreation fees and admissions	27,000	11,000	4,746	(6,254)
Other charges for services	10,000	10,000	21,247	11,247
Total Charges for Services	1,889,003	1,873,003	1,819,085	(53,918)
<i>Miscellaneous Revenue</i>				
Miscellaneous	28,000	57,198	105,378	48,180
Cemetery revenues	20,000	27,100	54,538	27,438
Late penalties and fees for utilities	315,000	315,000	250,924	(64,076)
Payment in lieu of taxes - water and sewer	26,460	26,460	26,460	-
Payment in lieu of taxes - electric	59,282	59,282	59,282	-
Isle of Wight - revenue sharing	1,080,000	1,054,850	1,054,852	2
Southampton County - revenue sharing	62,500	62,500	63,775	1,275
Total Miscellaneous Revenue	1,591,242	1,602,390	1,615,209	12,819
<i>Recovered Costs</i>				
Southampton County inspections	411,096	28,170	28,170	-
Southampton County EMS contract	2,090,423	2,090,423	2,090,423	-
Other recovered costs	132,634	147,934	131,549	(16,385)
Total Recovered Costs	2,634,153	2,266,527	2,250,142	(16,385)
Total Revenue from Local Sources	18,791,038	18,995,562	20,351,628	1,356,066

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenue from the Commonwealth				
<i>Noncategorical Aid</i>				
Railroad rolling stock tax	6,400	6,400	6,269	(131)
ATV/Moped tax	-	-	105	105
Motor vehicle rental tax	40,000	5,000	10,510	5,510
Skills game tax	-	25,000	54,000	29,000
Communication taxes	470,000	425,000	408,971	(16,029)
State recordation tax	13,000	-	-	-
Personal property tax relief funds	<u>1,048,897</u>	<u>1,048,897</u>	<u>1,048,897</u>	<u>-</u>
Total Noncategorical Aid	1,578,297	1,510,297	1,528,752	18,455
<i>Categorical Aid</i>				
Shared Expenses				
Commissioner of revenue	81,100	81,100	83,565	2,465
Treasurer	71,100	71,100	76,364	5,264
Registrar/electoral board	<u>54,504</u>	<u>54,504</u>	<u>37,593</u>	<u>(16,911)</u>
Total Shared Expenses	206,704	206,704	197,522	(9,182)
Other Categorical Aid				
Law Enforcement grants	432,992	444,423	461,311	16,888
Fire and rescue grant	-	-	32,706	32,706
Rescue Squad assistance grant	-	-	101,867	101,867
Street and highway maintenance funds	1,621,456	1,621,456	1,651,706	30,250
Litter control grants	-	5,608	5,608	-
Wireless 911 grant	41,500	41,500	44,463	2,963
EMS grant - LEMPG EOC upgrade	-	-	7,503	7,503
State infant and toddler grant	447,999	467,813	467,813	-
Virginia DHCD grant	-	2,000	-	(2,000)
CARES Provider Relief funds	-	52,580	52,580	-
Governor AFID grant	-	40,000	40,000	-
Arts grant	<u>-</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Total Other Categorical Aid	<u>2,543,947</u>	<u>2,679,880</u>	<u>2,870,057</u>	<u>190,177</u>
Total Categorical Aid	<u>2,750,651</u>	<u>2,886,584</u>	<u>3,067,579</u>	<u>180,995</u>
Total Revenue from the Commonwealth	4,328,948	4,396,881	4,596,331	199,450
Revenue from the Federal Government				
<i>Categorical Aid</i>				
USDA police grant	-	23,000	-	(23,000)
CDBG planning grant	-	37,000	37,000	-
EMS grant-LEMPG EOC upgrade	-	16,595	16,595	-
Federal Part C infant and toddler grant	<u>186,244</u>	<u>177,154</u>	<u>177,154</u>	<u>-</u>
Total Categorical Aid	<u>186,244</u>	<u>253,749</u>	<u>230,749</u>	<u>(23,000)</u>
Total Revenue from the Federal Government	<u>186,244</u>	<u>253,749</u>	<u>230,749</u>	<u>(23,000)</u>
Total Intergovernmental Revenue	4,515,192	4,650,630	4,827,080	176,450
Other Financing Sources				
Proceeds from capital leases	-	-	235,952	235,952
Transfers in from other funds	<u>1,856,615</u>	<u>3,359,233</u>	<u>1,839,393</u>	<u>(1,519,840)</u>
Total Other Financing Sources	<u>1,856,615</u>	<u>3,359,233</u>	<u>2,075,345</u>	<u>(1,283,888)</u>
Total General Fund	<u>\$ 25,162,845</u>	<u>\$ 27,005,425</u>	<u>\$ 27,254,053</u>	<u>\$ 248,628</u>

City of Franklin, Virginia

Schedule of Expenditures and Other Financing Uses - Budget and Actual

For the Year Ended June 30, 2021

General Fund

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund				
General Government Administration				
<i>Legislative</i>				
City council	\$ 143,336	\$ 149,036	\$ 149,601	\$ (565)
<i>General and Financial Administration</i>				
City manager	224,515	232,286	230,576	1,710
City attorney	150,600	149,400	127,786	21,614
Management services and human resources	212,863	229,539	180,161	49,378
Commissioner of revenue	291,324	294,209	287,309	6,900
Real estate assessor	77,254	77,755	62,261	15,494
Treasurer	362,192	355,162	333,549	21,613
Accounting	303,095	335,928	333,338	2,590
Merchant card fees	750	750	-	750
Purchasing	79,725	83,148	81,432	1,716
Utility billings and collections	346,706	350,057	335,223	14,834
Insurance	218,314	214,814	208,676	6,138
Information Technology	254,198	355,809	439,459	(83,650)
Total General and Financial Administration	2,521,536	2,678,857	2,619,770	59,087
<i>Board of Elections</i>				
Electoral board and officials	144,813	206,111	196,927	9,184
Total Board of Elections	144,813	206,111	196,927	9,184
Total General Government Administration	2,809,685	3,034,004	2,966,298	67,706
Judicial Administration				
<i>Courts</i>				
Circuit court - joint operations	9,091	9,091	9,091	-
General district court	14,425	14,425	8,037	6,388
Sheriff's office	146,813	146,813	146,813	-
Clerk of the circuit court	69,740	69,740	69,740	-
Juvenile and domestic relations court	104,288	104,288	77,165	27,123
Total Courts	344,357	344,357	310,846	33,511

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<i>Commonwealth's Attorney</i>	<u>72,821</u>	<u>72,821</u>	<u>72,821</u>	<u>-</u>
Total Commonwealth's Attorney	<u>72,821</u>	<u>72,821</u>	<u>72,821</u>	<u>-</u>
Total Judicial Administration	417,178	417,178	383,667	33,511
Public Safety				
<i>Law Enforcement and Traffic Control</i>				
Police department	<u>2,951,538</u>	<u>3,027,471</u>	<u>2,735,192</u>	<u>292,279</u>
Total Law Enforcement and Traffic Control	2,951,538	3,027,471	2,735,192	292,279
<i>Emergency Services</i>				
E-911 operations	661,062	768,511	468,886	299,625
Emergency management services	<u>4,601,713</u>	<u>4,617,392</u>	<u>3,913,229</u>	<u>704,163</u>
Total Emergency Services	5,262,775	5,385,903	4,382,115	1,003,788
<i>Correction and Detention</i>				
Detention - Western Tidewater Regional Jail	<u>1,021,052</u>	<u>1,021,052</u>	<u>1,021,052</u>	<u>-</u>
Total Correction and Detention	1,021,052	1,021,052	1,021,052	-
<i>Inspections</i>				
Building	<u>542,188</u>	<u>530,903</u>	<u>332,194</u>	<u>198,709</u>
Total Inspections	542,188	530,903	332,194	198,709
<i>Other Protection</i>				
Animal control	<u>107,540</u>	<u>113,198</u>	<u>71,617</u>	<u>41,581</u>
Total Other Protection	<u>107,540</u>	<u>113,198</u>	<u>71,617</u>	<u>41,581</u>
Total Public Safety	9,885,093	10,078,527	8,542,170	1,536,357
Public Works				
<i>Maintenance of highways, streets, bridges, and sidewalks</i>				
Streets and highways	1,197,195	1,206,490	1,024,906	181,584
Snow removal	15,000	15,000	3,735	11,265
Garage	<u>217,181</u>	<u>218,662</u>	<u>206,804</u>	<u>11,858</u>
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	1,429,376	1,440,152	1,235,445	204,707

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<i>Maintenance of General Buildings and Grounds</i>				
Maintenance of general buildings and grounds	703,172	1,082,973	822,511	260,462
Maintenance of city hall	207,198	180,080	172,832	7,248
Maintenance of social services	82,949	100,119	90,907	9,212
Maintenance of health department	38,579	33,579	28,816	4,763
Total Maintenance of General Buildings and Grounds	<u>1,031,898</u>	<u>1,396,751</u>	<u>1,115,066</u>	<u>281,685</u>
Total Public Works	2,461,274	2,836,903	2,350,511	486,392
Health and Welfare				
<i>Health</i>				
Local health department	110,000	110,000	110,000	-
Children's Center	634,243	644,967	644,967	-
Mental health	33,262	33,262	33,262	-
Senior Citizens Title III	5,993	5,993	5,993	-
Total Health	<u>783,498</u>	<u>794,222</u>	<u>794,222</u>	<u>-</u>
Total Health and Welfare	783,498	794,222	794,222	-
Education				
Contribution to local school board	<u>4,830,237</u>	<u>4,830,237</u>	<u>4,830,237</u>	<u>-</u>
Total Education	4,830,237	4,830,237	4,830,237	-
Parks, Recreation, and Cultural				
<i>Parks and Recreation</i>				
Programs and operations	442,429	535,878	398,439	137,439
Cemeteries	98,760	90,760	89,832	928
Total Parks and Recreation	541,189	626,638	488,271	138,367
<i>Library</i>				
Library administration	<u>271,891</u>	<u>271,891</u>	<u>257,029</u>	<u>14,862</u>
Total Library	<u>271,891</u>	<u>271,891</u>	<u>257,029</u>	<u>14,862</u>
Total Parks, Recreation, and Cultural	813,080	898,529	745,300	153,229

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Community Development				
<i>Planning and Community Development</i>				
Planning and zoning	267,802	193,859	95,491	98,368
Governor AFID grant to IDA	-	40,000	40,000	-
Beautification commission	1,250	21,858	4,155	17,703
Downtown development	74,390	74,390	59,907	14,483
Payments to Southampton County	<u>500,000</u>	<u>700,000</u>	<u>700,565</u>	<u>(565)</u>
Total Planning and Community Development	<u>843,442</u>	<u>1,030,107</u>	<u>900,118</u>	<u>129,989</u>
Total Community Development	843,442	1,030,107	900,118	129,989
Debt Service				
Capital lease payments	<u>180,453</u>	<u>121,389</u>	<u>110,822</u>	<u>10,567</u>
Total Debt Service	180,453	121,389	110,822	10,567
Other Financing Uses				
Transfers out to other funds	<u>2,138,905</u>	<u>2,974,447</u>	<u>2,544,447</u>	<u>430,000</u>
Total General Fund	<u>\$25,162,845</u>	<u>\$27,015,543</u>	<u>\$24,167,792</u>	<u>\$ 2,847,751</u>

City of Franklin, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
CSA Fund				
Revenues				
Miscellaneous	\$ -	\$ 4,350	\$ 5,098	\$ 748
Intergovernmental revenue - Commonwealth of Virginia	<u>121,699</u>	<u>145,154</u>	<u>151,955</u>	<u>6,801</u>
Total Revenues	121,699	149,504	157,053	7,549
Expenditures				
Health and welfare	<u>198,270</u>	<u>262,795</u>	<u>263,116</u>	<u>(321)</u>
Total Expenditures	<u>198,270</u>	<u>262,795</u>	<u>263,116</u>	<u>(321)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76,571)	(113,291)	(106,063)	7,228
Other Financing Sources (Uses)				
Transfers in	<u>76,571</u>	<u>113,291</u>	<u>141,096</u>	<u>27,805</u>
Total Other Financing Sources (Uses)	<u>76,571</u>	<u>113,291</u>	<u>141,096</u>	<u>27,805</u>
Net Change in Fund Balances Before Transfer from Surplus	-	-	35,033	35,033
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	35,033	<u>\$ 35,033</u>
Fund Balance (Deficit) - Beginning of Year			(63,034)	
Fund Balance (Deficit) - End of Year			<u>\$ (28,001)</u>	
Regional Fire Training				
Revenues				
Revenue from use of money - interest income	\$ -	\$ 6,000	\$ 4,500	\$ (1,500)
Total Revenues	-	6,000	4,500	(1,500)
Expenditures				
Public safety	<u>-</u>	<u>6,141</u>	<u>4,037</u>	<u>2,104</u>
Total Expenditures	<u>-</u>	<u>6,141</u>	<u>4,037</u>	<u>2,104</u>
Net Change in Fund Balances Before Transfer from Surplus	-	(141)	463	604
From Surplus	<u>-</u>	<u>141</u>	<u>-</u>	<u>(141)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	463	<u>\$ 463</u>
Fund Balance - Beginning of Year			19,007	
Fund Balance - End of Year			<u>\$ 19,470</u>	

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Foundation Grants				
Revenues				
Miscellaneous	\$ -	\$ 138,150	\$ 138,150	\$ -
Total Revenues	-	138,150	138,150	-
Expenditures				
Public safety	-	123,514	44,894	78,620
Parks, recreation, and cultural	-	64,400	42,070	22,330
Total Expenditures	-	187,914	86,964	100,950
Net Change in Fund Balances Before Transfer from Surplus	-	(49,764)	51,186	100,950
From Surplus	-	49,764	-	(49,764)
Net Change in Fund Balances	\$ -	\$ -	51,186	\$ 51,186
Fund Balance - Beginning of Year			52,963	
Fund Balance - End of Year			\$ 104,149	

Western Tidewater Home Consortium Fund

Revenues				
Miscellaneous	\$ -	\$ 155,036	\$ 144,827	\$ (10,209)
Total Revenues	-	155,036	144,827	(10,209)
Expenditures				
Community development	-	155,036	139,666	15,370
Total Expenditures	-	155,036	139,666	15,370
Net Change in Fund Balances	\$ -	\$ -	5,161	\$ 5,161
Fund Balance - Beginning of Year			21,711	
Fund Balance - End of Year			\$ 26,872	

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Madison Street Project Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Community development	-	19,230	-	19,230
Total Expenditures	-	19,230	-	19,230
Net Change in Fund Balances Before Transfer from Surplus	-	(19,230)	-	19,230
From Surplus	-	19,230	-	(19,230)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			8,572	
Fund Balance - End of Year			<u>\$ 8,572</u>	

Economic Development Fund				
Revenues				
Revenue from use of money and property	\$ 134,001	\$ 134,001	\$ 131,275	\$ (2,726)
Miscellaneous	2,000	2,000	1,877	(123)
Total Revenues	136,001	136,001	133,152	(2,849)
Expenditures				
Community development	295,352	295,352	242,782	52,570
Total Expenditures	295,352	295,352	242,782	52,570
Excess (Deficiency) of Revenues Over (Under) Expenditures	(159,351)	(159,351)	(109,630)	49,721
Other Financing Sources (Uses)				
Transfers in	159,351	159,351	159,351	-
Total Other Financing Sources (Uses)	159,351	159,351	159,351	-
Net Change in Fund Balances Before Transfer from Surplus	-	-	49,721	49,721
From Surplus	-	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	49,721	<u>\$ 49,721</u>
Fund Balance - Beginning of Year			40,288	
Fund Balance - End of Year			<u>\$ 90,009</u>	

STATISTICAL TABLES

This section of the City of Franklin, Virginia's Financial Statements presents detailed information as a perspective for understanding what the information contained in the financial statements, notes, and required supplementary information convey about the overall financial position of the City of Franklin, Virginia.

STATISTICAL SECTION

CONTENTS

TABLES

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1-8

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales tax.

9-14

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.

15-18

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

19-20

Operating Information

These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

21-23

Sources

Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial reports for the relevant year.

City of Franklin, Virginia

Government-Wide Revenues

Year Ended June 30,

Fiscal Year	<u>Program Revenues</u>			<u>General Revenues</u>						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes and Other Local Taxes	Revenue Sharing from Counties	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings and Use of Property	Miscellaneous		
2021	\$ 21,277,268	\$ 7,005,905	\$ -	\$ 14,032,280	\$ 1,118,627	\$ 1,528,752	\$ 530,126	\$ 833,753	\$ 46,326,711	
2020	21,528,919	5,157,991	-	13,719,191	1,051,877	1,570,025	675,574	507,900	44,211,477	
2019	22,496,828	5,000,115	-	13,330,148	1,224,442	1,582,289	530,891	742,562	44,907,275	
2018	22,422,329	6,031,100	-	13,194,078	782,345	1,610,034	622,814	936,143	45,598,843	
2017	21,293,588	4,349,358	-	12,801,214	785,799	1,628,216	447,219	771,580	42,076,974	
2016	19,565,443	4,473,028	-	12,871,881	709,171	1,639,089	427,293	879,193	40,565,098	
2015	21,723,121	4,188,762	1,113,036	12,623,788	704,969	1,662,463	676,115	692,495	43,384,749	
2014	21,275,915	4,036,731	93,223	12,008,907	556,765	1,663,516	706,839	438,559	40,780,455	
2013	20,063,868	3,935,552	178,275	12,028,857	243,503	1,668,047	430,218	346,392	38,894,712	
2012	19,021,975	3,790,723	22,006	11,752,727	1,212,182	1,666,230	367,899	359,583	38,193,325	

City of Franklin, Virginia

Government-Wide Expenses by Function

Year Ended June 30,

<u>Fiscal Year</u>	<u>General Government</u>	<u>Judicial</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non-Departmental</u>	<u>Interest on Long-Term Debt</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Electric</u>	<u>Airport</u>	<u>Total</u>
2021	\$ 3,149,486	\$ 375,494	\$ 6,546,406	\$ 3,005,726	\$ 4,909,572	\$ 4,830,237	\$ 808,373	\$ 1,228,955	\$ -	\$ 1,037,636	\$ 2,660,986	\$ 1,154,711	\$ 11,225,532	\$ 510,794	\$ 41,443,908
2020	3,090,604	435,499	6,723,826	3,452,223	2,700,161	5,135,157	820,768	1,674,377	-	433,701	2,858,645	1,165,884	12,221,788	570,704	41,283,337
2019	2,688,077	417,244	7,408,633	3,382,461	2,517,646	5,135,156	887,175	1,567,150	-	297,755	2,948,740	1,057,729	12,768,858	551,670	41,628,294
2018	3,003,717	344,563	7,723,020	3,122,262	2,471,638	5,279,390	747,262	1,822,617	-	307,416	3,012,357	1,106,538	12,474,698	541,774	41,957,252
2017	2,846,060	357,168	7,653,661	2,214,262	1,845,518	5,085,157	899,851	1,821,402	-	405,480	2,854,187	1,209,202	12,697,183	583,462	40,472,593
2016	2,607,038	307,583	7,037,551	2,988,081	2,026,852	6,231,066	848,064	2,013,965	49,188	758,348	2,742,836	1,235,963	13,566,039	515,723	42,928,297
2015	2,408,961	320,562	7,924,624	3,628,604	2,035,529	6,998,339	904,944	1,431,913	46,326	402,324	4,624,837	-	14,466,480	1,365,962	46,559,405
2014	1,581,531	312,767	6,806,355	3,457,133	1,890,689	5,753,084	778,365	1,714,373	63,905	458,420	2,927,576	-	13,464,599	631,437	39,840,234
2013	2,464,954	390,639	6,477,498	4,042,630	2,029,046	4,757,834	987,498	1,238,138	88,315	862,901	2,784,937	-	12,742,843	599,945	39,467,178
2012	2,797,507	408,025	6,331,863	4,702,151	1,883,150	4,373,992	1,026,675	1,457,880	41,283	434,988	2,972,701	-	13,153,530	351,863	39,935,608

Note: Beginning in 2016, Solid Waste expenses will be broken out separately. Previously, these numbers are included with Water and Sewer.

City of Franklin, Virginia

General Governmental Revenues by Source

Year Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General property taxes	\$ 7,962,856	\$ 7,835,275	\$ 7,309,506	\$ 7,357,887	\$ 7,249,980	\$ 7,343,086	\$ 7,037,730	\$ 6,810,144	\$ 6,761,228	\$ 6,531,186
Other local taxes	6,350,185	5,873,063	5,640,865	5,688,011	5,577,423	5,566,974	5,586,058	5,198,763	5,267,629	5,221,541
Permits, fees, and licenses	108,891	222,025	221,676	200,195	532,781	173,306	239,299	168,629	54,736	65,986
Fines and forfeitures	30,157	26,129	32,044	29,209	34,508	31,899	32,553	37,418	63,941	60,735
Use of money and property	567,492	645,310	536,295	632,232	450,868	532,087	545,633	423,159	390,886	368,747
Charges for services	1,828,853	1,831,743	1,835,064	1,530,851	1,511,417	1,417,125	1,484,170	1,380,953	2,740,501	2,673,776
Miscellaneous and donations	2,273,238	1,803,227	2,186,278	2,109,223	1,878,594	2,152,732	1,607,125	1,290,444	755,490	1,783,730
Recovered costs	2,250,142	1,624,983	439,819	271,535	238,678	297,156	248,457	284,056	51,320	132,719
Intergovernmental	20,748,357	17,568,208	17,124,054	16,944,994	16,767,764	16,349,319	17,445,443	16,823,269	16,412,826	16,262,051
Total	<u>\$ 42,120,171</u>	<u>\$ 37,429,963</u>	<u>\$ 35,325,601</u>	<u>\$ 34,764,137</u>	<u>\$ 34,242,013</u>	<u>\$ 33,863,684</u>	<u>\$ 34,226,468</u>	<u>\$ 32,416,835</u>	<u>\$ 32,498,557</u>	<u>\$ 33,100,471</u>

Note: Includes General, Special Revenue, Debt Service, Permanent, Capital Project, School Operating, Textbook and School Cafeteria Funds. School Funds are reported in the component unit section of the financial statements but are included here as they are a component of the general government function.

City of Franklin, Virginia

General Governmental Expenditures by Function

Last Ten Fiscal Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General government administration	\$ 2,966,298	\$ 2,807,353	\$ 2,567,819	\$ 2,629,856	\$ 2,510,396	\$ 2,854,178	\$ 2,211,912	\$ 2,173,109	\$ 2,017,868	\$ 2,064,443
Judicial administration	383,667	466,318	417,244	344,563	357,168	295,583	320,562	312,767	390,639	408,025
Public safety	10,899,576	8,498,710	7,709,231	7,927,401	7,626,452	7,197,590	7,537,609	7,051,828	6,082,876	5,916,167
Public works	3,599,196	3,840,001	2,907,870	3,178,555	3,613,994	3,610,007	2,970,313	3,874,669	3,591,932	4,277,392
Health and welfare	2,758,209	2,854,474	2,603,522	2,458,149	1,804,334	2,020,091	1,990,435	1,919,290	1,990,673	1,856,751
Education	17,197,953	16,138,195	15,736,678	15,671,852	16,662,510	17,745,962	18,687,553	17,167,862	16,064,811	15,680,694
Parks, recreation, and cultural	788,400	1,046,825	751,930	738,249	752,435	694,894	728,009	890,590	845,750	852,091
Community development	1,282,566	1,665,012	1,586,349	1,990,535	1,818,821	2,011,098	1,431,913	1,714,373	1,238,138	1,457,880
Nondepartmental	-	-	-	-	-	49,188	46,326	39,835	64,245	41,283
Capital projects	-	-	-	-	-	-	-	-	-	-
<i>Debt service</i>										
Principal retirement	2,836,320	556,081	1,560,832	592,984	547,673	6,245,308	480,082	355,041	4,193,126	480,037
Interest and fiscal charges	1,030,786	706,978	375,884	393,841	441,519	785,550	402,324	417,441	2,074,953	434,988
Totals	<u>\$43,742,971</u>	<u>\$38,579,947</u>	<u>\$36,217,359</u>	<u>\$35,925,985</u>	<u>\$36,135,302</u>	<u>\$43,509,449</u>	<u>\$36,807,038</u>	<u>\$35,916,805</u>	<u>\$38,555,011</u>	<u>\$33,469,751</u>

Note: Includes General, Special Revenue, Debt Service, Permanent, Capital Projects, School Operating, Textbook and School Cafeteria Funds. School Funds are reported in the component unit section of the financial statements, but are included here as they are a component of the general government function.

City of Franklin, Virginia

Fund Balances - Governmental Funds

Last Ten Fiscal Years Ended June 30,

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Post-GASB 54 Implementation										
General Fund										
Nonspendable	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874	\$ 969,874
Restricted	853,364	504,364	-	-	58,743	98,743	493,480	240,686	1,070,252	80,000
Committed	244,349	-	-	-	-	-	7,336	496,110	643,174	230,972
Assigned	870,130	412,715	286,970	339,363	491,280	658,214	475,028	1,113,614	2,366,148	2,588,020
Unassigned	8,584,579	6,549,082	4,815,905	4,189,190	5,055,159	5,035,674	5,123,487	4,071,412	3,648,940	3,084,828
Total General Fund	<u>\$ 11,522,296</u>	<u>\$ 8,436,035</u>	<u>\$ 6,072,749</u>	<u>\$ 5,498,427</u>	<u>\$ 6,575,056</u>	<u>\$ 6,762,505</u>	<u>\$ 7,069,205</u>	<u>\$ 6,891,696</u>	<u>\$ 8,698,388</u>	<u>\$ 6,953,694</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,584	\$ 226,048
Restricted	9,499,366	6,645,988	3,119,538	3,452,753	3,205,897	2,816,762	744,137	2,354,530	1,780,661	1,478,166
Committed	-	-	-	-	-	-	-	-	7,575	-
Assigned	-	-	-	-	-	-	3,126,402	1,185,642	1,976,098	98,268
<i>Unassigned, reported in</i>										
Special revenue funds	(29,992)	(65,025)	(33,564)	(19,222)	(431,058)	-	2,845	2,845	(10,606)	(20,380)
Total All Other Governmental Funds	<u>\$ 9,469,374</u>	<u>\$ 6,580,963</u>	<u>\$ 3,085,974</u>	<u>\$ 3,433,531</u>	<u>\$ 2,774,839</u>	<u>\$ 2,816,762</u>	<u>\$ 3,873,384</u>	<u>\$ 3,543,017</u>	<u>\$ 3,973,312</u>	<u>\$ 1,782,102</u>
Total All Governmental Funds	<u>\$ 20,991,670</u>	<u>\$ 15,016,998</u>	<u>\$ 9,158,723</u>	<u>\$ 8,931,958</u>	<u>\$ 9,349,895</u>	<u>\$ 9,579,267</u>	<u>\$ 10,942,589</u>	<u>\$ 10,434,713</u>	<u>\$ 12,671,700</u>	<u>\$ 8,735,796</u>

City of Franklin, Virginia

Changes in Fund Balance - Governmental Funds

Last Ten Fiscal Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues										
General property taxes	\$ 7,962,856	\$ 7,835,275	\$ 7,309,506	\$ 7,357,887	\$ 7,249,980	\$ 7,343,086	\$ 7,037,730	\$ 6,810,144	\$ 6,761,228	\$ 6,531,186
Other local taxes	6,350,185	5,873,063	5,640,865	5,688,011	5,577,423	5,566,974	5,586,058	5,198,763	5,267,629	5,221,541
Permits, privilege fees, and regulatory licenses	108,891	222,025	221,676	200,195	532,781	173,306	239,299	168,629	54,736	65,986
Fines and forfeitures	30,157	26,129	32,044	29,209	34,508	31,899	32,553	37,418	63,941	60,735
Revenue from use of money and property	567,478	644,792	526,566	620,781	445,878	524,433	433,216	423,111	386,324	367,899
Charges for services	1,819,085	1,789,206	1,800,790	1,488,704	1,356,274	1,375,315	1,433,589	1,380,953	2,615,929	2,557,279
Miscellaneous	1,940,161	1,547,373	1,926,311	1,695,272	1,531,135	1,581,331	1,397,464	995,324	589,895	1,500,459
Recovered costs	2,250,142	1,624,983	439,819	271,535	238,678	296,988	242,899	283,729	43,894	71,306
Intergovernmental	8,467,026	6,597,375	6,252,683	6,130,028	5,852,460	6,056,065	6,069,592	5,787,624	5,603,598	5,456,953
Total Revenues	29,495,981	26,160,221	24,150,260	23,481,622	22,819,117	22,949,397	22,472,400	21,085,695	21,387,174	21,833,344
Expenditures										
Current										
General government administration	2,966,298	2,807,353	2,567,819	2,629,856	2,510,396	2,854,178	2,211,912	2,173,109	2,017,868	2,064,443
Judicial administration	383,667	466,318	417,244	344,563	357,168	295,583	320,562	312,767	390,639	408,025
Public safety	10,899,576	8,498,710	7,709,231	7,927,401	7,626,452	7,197,590	7,537,609	7,051,828	6,082,876	5,916,167
Public works	3,599,196	3,840,001	2,907,870	3,178,555	3,613,994	3,610,007	2,970,313	3,874,669	3,591,932	4,277,392
Health and welfare	2,758,209	2,854,474	2,603,522	2,458,149	1,804,334	2,020,091	1,990,435	1,919,290	1,990,673	1,856,751
Education	4,830,237	5,037,395	5,037,395	5,181,628	5,043,504	6,563,431	6,892,767	5,820,046	4,677,791	4,276,230
Parks, recreation, and cultural	788,400	1,046,825	751,930	738,249	752,435	694,894	728,009	890,590	845,750	852,091
Community development	1,282,566	1,665,012	1,586,349	1,990,535	1,818,821	2,011,098	1,431,913	1,714,373	1,238,138	1,457,880
Nondepartmental	-	-	-	-	-	49,188	46,326	39,835	64,245	41,283
Debt service										
Principal retirement	2,741,251	484,895	1,560,832	567,244	547,673	6,245,308	480,082	355,041	4,193,126	480,037
Interest and other fiscal charges	956,450	613,693	375,884	419,581	441,519	785,550	402,324	417,441	2,074,593	434,988
Total Expenditures	31,205,850	27,314,676	25,518,076	25,435,761	24,516,296	32,326,918	25,012,252	24,568,989	27,167,631	22,065,287
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,709,869)	(1,154,455)	(1,367,816)	(1,954,139)	(1,697,179)	(9,377,521)	(2,539,852)	(3,483,294)	(5,780,457)	(231,943)
Other Financing Sources (Uses)										
Issuance of debt	5,529,800	6,947,708	-	-	-	6,117,000	1,816,000	-	8,137,578	-
General obligation refunding bonds issued	1,895,000	5,000,000	-	-	-	-	-	-	-	-
Payment to refunding bond escrow agent	(1,815,604)	(6,660,773)	-	-	-	-	-	-	-	-
Transfers in	5,940,887	6,461,840	4,184,983	3,996,654	3,520,736	3,222,004	3,207,161	3,185,390	3,581,305	3,428,856
Transfers out	(4,101,494)	(4,736,045)	(2,590,402)	(2,460,452)	(2,052,929)	(1,767,674)	(1,897,291)	(1,872,093)	(2,020,222)	(1,599,773)
Issuance of capital leases	235,952	-	-	-	-	461,416	-	-	-	-
Total Other Financing Sources (Uses)	7,684,541	7,012,730	1,594,581	1,536,202	1,467,807	8,032,746	3,125,870	1,313,297	9,698,661	1,829,083
Net Change in Fund Balances	\$ 5,974,672	\$ 5,858,275	\$ 226,765	\$ (417,937)	\$ (229,372)	\$ (1,344,775)	\$ 586,018	\$ (2,169,997)	\$ 3,918,204	\$ 1,597,140
Debt Service as a Percentage of Noncapital Expenditures	12%	4%	8%	4%	4%	22%	4%	3%	23%	4%

City of Franklin, Virginia

Net Position by Component

June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental Activities										
Net investment in capital assets	\$ 8,919,139	\$ 9,469,367	\$ 10,863,669	\$ 10,902,923	\$ 10,732,282	\$ 7,885,690	\$ 7,820,476	\$ 12,910,601	\$ 9,300,806	\$ 15,514,000
Restricted	7,776,780	2,350,763	1,838,813	2,561,938	3,264,640	3,119,104	1,237,617	2,595,216	2,850,913	1,062,775
Unrestricted	132,107	986,555	1,086,369	(1,059,512)	411,654	2,268,401	9,783,115	5,556,004	9,820,786	5,786,923
Total Governmental Activities	16,828,026	12,806,685	13,788,851	12,405,349	14,408,576	13,273,195	18,841,208	21,061,821	21,972,505	22,363,698
Business-Type Activities										
Net investment in capital assets	8,817,902	8,665,767	8,872,780	8,410,799	7,563,748	7,194,170	5,967,851	6,677,554	5,949,747	8,095,793
Restricted	3,848,034	2,976,000	-	-	-	-	-	-	700,333	-
Unrestricted	3,930,855	2,943,644	4,590,061	3,156,563	580,875	(426,206)	1,904,949	2,798,246	1,702,628	438,188
Total Business-Type Activities	16,596,791	14,585,411	13,462,841	11,567,362	8,144,623	6,767,964	7,872,800	9,475,800	8,352,708	8,533,981
Primary Government										
Net investment in capital assets	17,737,041	18,135,134	19,736,449	19,313,722	18,296,030	15,079,860	13,788,327	19,588,155	15,250,553	23,609,793
Restricted	11,624,814	5,326,763	1,838,813	2,561,938	3,264,640	3,119,104	1,237,617	2,595,216	3,551,246	1,062,775
Unrestricted	4,062,962	3,930,199	5,676,430	2,097,051	992,529	1,842,195	11,688,064	8,354,250	11,523,414	6,225,111
Total Primary Government	\$ 33,424,817	\$ 27,392,096	\$ 27,251,692	\$ 23,972,711	\$ 22,553,199	\$ 20,041,159	\$ 26,714,008	\$ 30,537,621	\$ 30,325,213	\$ 30,897,679

City of Franklin, Virginia

Change in Net Position
Ended June 30,

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses										
Governmental Activities										
General government administration	\$ 3,149,486	\$ 3,090,604	\$ 2,688,077	\$ 3,003,717	\$ 2,846,060	\$ 2,656,226	\$ 2,455,287	\$ 1,645,436	\$ 2,553,269	\$ 2,838,790
Judicial	375,494	435,499	417,244	344,563	357,168	307,583	320,562	312,767	390,639	408,025
Public safety	6,546,406	6,723,826	7,408,633	7,723,020	7,653,661	7,037,551	7,924,624	6,806,355	6,477,498	6,331,863
Public works	3,005,726	3,452,223	3,382,461	3,122,262	2,214,262	2,988,081	3,628,604	3,457,133	4,042,630	4,702,151
Health and welfare	4,909,572	2,700,161	2,517,646	2,471,638	1,845,518	2,026,852	2,035,529	1,890,689	2,029,046	1,883,150
Education	4,830,237	5,135,157	5,135,156	5,279,390	5,085,157	6,231,066	6,998,339	5,753,084	4,757,834	4,373,992
Parks, recreation, and cultural	808,373	820,768	887,175	747,262	899,851	848,064	904,944	778,365	987,498	1,026,675
Community development	1,228,955	1,674,377	1,567,150	1,822,617	1,821,402	2,013,965	1,431,913	1,714,373	1,238,138	1,457,880
Interest on long-term debt	1,037,636	433,701	297,755	307,416	405,480	758,348	402,324	458,420	862,901	434,988
Total Governmental Activities	25,891,885	24,466,316	24,301,297	24,821,885	23,128,559	24,867,736	26,102,126	22,816,622	23,339,453	23,457,514
Business-Type Activities										
Water and sewer	2,660,986	2,858,645	2,948,740	3,012,357	2,854,187	2,742,836	3,275,718	2,927,576	2,784,937	2,972,701
Solid waste	1,154,711	1,165,884	1,057,729	1,106,538	1,209,202	1,235,963	1,349,119	1,319,111	-	-
Electric	11,225,532	12,221,788	12,768,858	12,474,698	12,697,183	13,566,039	14,466,480	13,464,599	12,742,843	13,153,530
Airport	510,794	570,704	551,670	541,774	583,462	515,723	1,365,962	631,437	599,945	351,863
Total Business-Type Activities	15,552,023	16,817,021	17,326,997	17,135,367	17,344,034	18,060,561	20,457,279	18,342,723	16,127,725	16,478,094
Total Expenses	41,443,908	41,283,337	41,628,294	41,957,252	40,472,593	42,928,297	46,559,405	41,159,345	39,467,178	39,935,608
Program Revenues										
Governmental Activities										
<i>Charges for Services</i>										
General government administration	1,100,209	987,874	967,858	763,125	984,336	732,066	242,355	384,455	148,629	630,502
Judicial	6,764	7,464	10,021	9,910	7,324	11,875	37,251	41,794	69,127	68,562
Public safety	540,797	750,111	795,134	706,782	375,713	416,434	457,629	422,447	381,946	441,386
Public works	305,617	288,459	277,606	230,475	549,664	407,055	960,179	710,310	2,119,550	1,517,698
Health and welfare	-	-	-	-	-	5,524	(1,594)	17,141	-	-
Parks, recreation, and cultural	4,746	3,452	3,891	7,816	6,526	7,566	9,621	10,853	15,356	13,783
Community development	-	-	-	-	-	-	-	-	-	12,070
Operating grants and contributions	6,938,274	5,027,350	4,670,394	4,519,994	4,224,244	4,416,976	4,188,762	4,036,731	3,935,552	3,790,723
Total Governmental Activities	8,896,407	7,064,710	6,724,904	6,238,102	6,147,807	5,997,496	5,894,203	5,623,731	6,670,160	6,474,724
Business-Type Activities										
<i>Charges for Services</i>										
Water and sewer	3,308,959	3,264,193	3,304,585	3,250,423	3,573,740	2,904,767	3,045,691	3,049,282	3,154,656	3,043,329
Solid waste	1,312,689	1,313,049	1,283,745	1,293,890	1,373,427	1,305,582	1,365,620	1,343,522	-	-
Electric	14,606,746	14,833,882	15,754,257	16,024,281	14,332,022	13,664,164	15,474,300	15,117,660	13,996,271	13,093,877
Airport	90,741	80,435	99,731	135,627	90,836	110,410	132,069	178,450	178,334	200,768
<i>Operating Grants and Contributions</i>										
Water and sewer	-	-	-	91,653	728	-	-	-	-	-
Electric	-	-	-	-	7,383	-	-	-	-	-
Airport	67,631	130,641	329,721	1,419,453	117,003	56,052	1,113,036	93,223	178,275	22,006
Total Business-Type Activities	19,386,766	19,622,200	20,772,039	22,215,327	19,495,139	18,040,975	21,130,716	19,782,137	17,507,536	16,359,980
Total Program Revenues	28,283,173	26,686,910	27,496,943	28,453,429	25,642,946	24,038,471	27,024,919	25,405,868	24,177,696	22,834,704

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental Activities Net Expense	(16,995,478)	(17,401,606)	(17,576,393)	(18,583,783)	(16,980,752)	(18,870,240)	(20,207,923)	(17,192,891)	(16,669,293)	(16,982,790)
Business-Type Activities Net Expense	3,834,743	2,805,179	3,445,042	5,079,960	2,151,105	(19,586)	673,437	1,439,414	1,379,811	(118,114)
Total Primary Government Net Expense	(13,160,735)	(14,596,427)	(14,131,351)	(13,503,823)	(14,829,647)	(18,889,826)	(19,534,486)	(15,753,477)	(15,289,482)	(17,100,904)
General Revenues and Other Changes in Net Position										
Governmental Activities										
<i>Taxes</i>										
Property taxes	7,682,095	7,846,128	7,689,283	7,506,067	7,223,791	7,304,907	7,037,730	6,810,144	6,761,228	6,531,186
Local sales and use taxes	2,111,038	1,946,296	1,896,307	1,854,694	1,799,419	1,767,781	1,800,368	-	-	-
Consumers' utility taxes	525,033	541,040	539,420	544,306	565,160	574,958	576,452	-	-	-
Business license taxes	1,020,193	1,035,797	959,312	973,005	959,132	969,181	921,270	-	-	-
Motor vehicle license taxes	227,080	184,549	184,638	187,023	185,505	188,080	195,333	-	-	-
Cigarette taxes	337,113	359,057	300,133	298,773	316,662	352,199	373,904	-	-	-
Lodging taxes	178,791	133,484	148,234	170,060	141,318	123,626	149,166	-	-	-
Restaurant food taxes	1,805,178	1,531,440	1,478,018	1,522,481	1,498,567	1,494,137	1,439,601	-	-	-
Other local taxes	145,759	141,400	134,803	137,669	111,660	97,012	129,964	5,198,763	5,267,629	5,221,541
Revenue sharing from counties	1,118,627	1,051,877	1,224,442	782,345	785,799	709,171	704,969	556,765	243,503	1,212,182
Revenue from use of money and property	526,315	644,792	526,566	620,141	445,878	417,798	676,115	706,839	430,218	367,899
Noncategorical aid from state	1,528,752	1,570,025	1,582,289	1,610,034	1,628,216	1,639,089	1,662,463	1,663,516	1,668,047	1,666,230
Miscellaneous	821,534	495,496	701,869	912,927	745,336	872,161	692,495	438,559	346,392	359,583
Transfers	1,839,393	1,725,795	1,594,581	1,536,202	1,467,807	1,454,330	1,309,870	1,314,660	1,561,084	1,829,084
Total Governmental Activities	19,866,901	19,207,176	18,959,895	18,655,727	17,874,250	17,964,430	17,669,700	16,689,246	16,278,101	17,187,705
Business-Type Activities										
Revenue from use of money and property	3,811	30,782	4,325	2,673	1,341	9,495	-	-	-	-
Miscellaneous	12,219	12,404	40,693	23,216	26,244	7,032	-	-	-	-
Transfers	(1,839,393)	(1,725,795)	(1,594,581)	(1,536,202)	(1,467,807)	(1,454,330)	(1,309,870)	(1,314,660)	(1,561,084)	(1,829,084)
Total Business-Type Activities	(1,823,363)	(1,682,609)	(1,549,563)	(1,510,313)	(1,440,222)	(1,437,803)	(1,309,870)	(1,314,660)	(1,561,084)	(1,829,084)
Total General Revenues and Other Changes in Net Position	18,043,538	17,524,567	17,410,332	17,145,414	16,434,028	16,526,627	16,359,830	15,374,586	14,717,017	15,358,621
Change in Net Position										
Governmental activities	2,871,423	1,805,570	1,383,502	71,944	893,498	(905,810)	(2,538,223)	(503,645)	(391,192)	204,915
Business-type activities	2,011,380	1,122,570	1,895,479	3,569,647	710,883	(1,457,389)	(636,433)	124,754	(181,273)	(1,947,198)
Total Primary Government	\$ 4,882,803	\$ 2,928,140	\$ 3,278,981	\$ 3,641,591	\$ 1,604,381	\$ (2,363,199)	\$ (3,174,656)	\$ (378,891)	\$ (572,465)	\$ (1,742,283)

NOTE: The detailed breakdown of taxes for the years 2014 and prior are not available.

Table 9

City of Franklin, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years Ended June 30,

<u>Year</u>	<u>Total Tax Levy⁽¹⁾</u>	<u>Current Tax Collections⁽¹⁾</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections⁽¹⁾⁽²⁾</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2021	\$ 8,837,937	\$ 8,469,095	95.83%	\$ -	8,469,095	95.83%
2020	8,772,671	8,480,104	96.67%	356,698	8,836,802	100.73%
2019	8,307,702	7,964,338	95.87%	235,323	8,199,661	98.70%
2018	8,053,723	7,949,357	98.70%	255,117	8,204,474	101.87%
2017	8,115,389	7,848,696	96.71%	363,413	8,212,109	101.19%
2016	8,124,907	7,990,238	98.34%	289,096	8,279,334	101.90%
2015	7,856,015	7,537,704	95.95%	363,073	7,900,777	100.57%
2014	7,764,626	7,384,115	95.10%	432,312	7,816,427	100.67%
2013	7,277,357	7,197,984	98.91%	301,456	7,499,440	103.05%
2012	7,333,436	7,135,568	97.30%	276,479	7,412,047	101.07%

Source: City of Franklin Commissioner of Revenue

⁽¹⁾Exclusive of penalties and interest.

⁽²⁾Does not include land redemptions.

Note: Includes Real Estate, Personal Property, Mobile Homes, Machinery and Tools, and Public Service Corporation property.

City of Franklin, Virginia

Assessed Value of Taxable Property

Last Ten Fiscal Years Ended June 30,

Year					Public Service Corporations		Total	Total Direct Tax Rate
	Real Estate	Personal Property	Mobile Home	Machinery and Tools	Real Estate	Personal Property		
2021	\$ 578,298,500	\$ 69,480,561	\$ -	\$ 1,219,334	\$ 8,481,431	\$ 3,112	657,482,938	1.30
2020	571,192,990	66,539,922	-	1,205,332	8,387,464	3,262	647,328,970	1.40
2019	558,830,605	67,602,891	-	973,154	8,003,166	3,190	635,413,006	1.30
2018	550,853,846	62,891,034	-	1,000,717	7,535,131	3,262	622,283,990	1.29
2017	551,169,536	64,088,674	-	994,840	6,885,844	9,872	623,148,766	1.43
2016	550,548,631	61,007,684	-	970,081	6,771,272	14,362	619,312,030	1.31
2015	546,840,453	60,195,857	-	928,666 ⁽¹⁾	6,551,183	43,818	614,559,977	1.36
2014	571,544,231	59,269,598	-	3,136,696	6,588,695	77,003	640,616,223	1.34
2013	550,495,439	55,575,941	-	2,993,303	6,927,392	13,914	616,005,989	1.22
2012	606,470,410	55,398,273	-	3,032,569	7,371,365	16,575	672,289,192	1.19

Source: City of Franklin Treasurer

⁽¹⁾Assessed value was reported incorrectly in the 2015 CAFR. The City's loss of a major taxpayer resulted in a significant drop in machinery and tools assessment.

City of Franklin, Virginia

Property Tax Rates

Tax Rates per Hundred Dollars of Assessed Value

Last Ten Fiscal Years Ended June 30,

Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools	Public Service Corporation	
					Real Estate ⁽¹⁾	Personal Property
2021	1.03 / 1.27 ⁽⁸⁾	4.50	1.03	2.00	1.03	4.50
2020	1.03 / 1.27 ⁽⁷⁾	4.50	0.99	2.00	1.03	4.50
2019	0.99 / 1.23 ⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2018	0.99 / 1.23 ⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2017	0.99 / 1.23 ⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2016	0.99 / 1.23 ⁽⁶⁾	4.50	0.99	2.00	0.99	4.50
2015	0.96 / 1.20 ⁽⁵⁾	4.50	0.96	2.00	0.96	4.50
2014	0.90 / 1.14 ⁽⁴⁾	4.50	0.90	2.00	0.90	4.50
2013	0.90 / 1.14 ⁽²⁾	4.50	0.90	2.00	0.90	4.50
2012	0.77 / 1.01 ⁽³⁾	4.50	0.77	2.00	0.77	4.50

⁽¹⁾Public Service Corporation property was taxed at basic real estate rates regardless of location.

⁽²⁾Downtown district real estate tax rate was \$1.14 and remaining areas were taxed at \$0.90 for real estate.

⁽³⁾Downtown district real estate tax rate was \$1.01 and remaining areas were taxed at \$0.77 for real estate.

⁽⁴⁾Downtown district real estate tax rate was \$1.14 and remaining areas were taxed at \$0.90 for real estate.

⁽⁵⁾Downtown district real estate tax rate was \$1.20 and remaining areas were taxed at \$0.96 for real estate.

⁽⁶⁾Downtown district real estate tax rate was \$1.23 and remaining areas were taxed at \$0.99 for real estate.

⁽⁷⁾Downtown district real estate tax rate was \$1.27 and remaining areas were taxed at \$1.03 for real estate.

⁽⁸⁾Downtown district real estate tax rate was \$1.27 and remaining areas were taxed at \$1.03 for real estate.

Source: City of Franklin Commissioner of Revenue

City of Franklin, Virginia

Principal Taxpayers - Real Estate

Current Year and Nine Years Ago

Fiscal Year 2021

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2020 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation of Real Estate</u>
The Village at Woods Edge	Retirement Home	\$ 12,554,801	1.82%
James L. Rifkin Estate	Shopping Center	9,095,300	1.32%
Lowe's Home Centers, Inc.	Retail - Hardware	7,064,300	1.02%
37 Wm Dorchester, LLC	Apartments	5,643,400	0.82%
F.P. Associates, Inc.	Apartments	5,406,700	0.78%
Southampton Shopping Center, LP	Shopping Center	5,238,500	0.76%
F P A LLC	Apartments	5,036,500	0.73%
Meadowridge Apartments LLC	Apartments	4,872,500	0.71%
Love's Travel Stops	Retail - Shopping	4,531,900	0.66%
Adjacent Properties, Inc.	Apartments	4,470,900	0.65%
		<u>\$ 63,914,801</u>	<u>9.25%</u>
Total Assessed Real Estate		<u>\$ 690,914,131</u>	

Fiscal Year 2012

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2011 Assessed Valuation</u>	<u>Percent of Total Assessed Valuation of Real Estate</u>
Village at Woods Edge	Retirement Home	\$ 12,554,801	2.14%
Rifkin James L Estate	Shopping Center	9,095,300	1.55%
Lowe's Home Centers, Inc.	Retail - Hardware	7,064,300	1.20%
37 WM Dorchester LLC	Apartments	5,643,400	0.96%
F P Associates Inc.	Apartments	5,406,700	0.92%
Southampton Shopping Center LP	Shopping Center	5,238,500	0.89%
F P A LLC	Apartments	5,036,500	0.86%
Meadowbridge Apartments LLC	Apartments	4,872,500	0.83%
Adjacent Properties Inc.	Apartments	4,531,900	0.77%
Love's Travel Stops	Retail - Shopping	4,470,900	0.76%
		<u>\$ 63,914,801</u>	<u>10.89%</u>
Total Assessed Real Estate		<u>\$ 586,779,931</u>	

Source: City of Franklin Treasurer

City of Franklin, Virginia

Principal Taxpayers - Personal Property

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Fiscal Year 2021</u>	
		<u>2020 Assessed Valuation</u>	<u>Percent of Total Assessed Personal Property</u>
Franklin Hospital Corporation	Hospital	\$ 2,959,776	4.14%
Spectrum Southeast LLC	Service - Telecommunications	929,726	1.30%
Charter Communications, Inc.	Service - Telecommunications	919,341	1.29%
Lowe's Home Centers LLC	Retail - Hardware	830,429	1.16%
Love's Travel Stop	Shopping Center	524,554	0.73%
The Village at Woods Edge	Retirement Home	467,873	0.65%
Food Lion, Inc.	Retail - Grocery	414,786	0.58%
Enterprise FM Trust	Leasing Company	304,585	0.43%
Franklin Clinic Corporation	Medical Practice	239,862	0.34%
Highground Services, Inc.	Medical Practice	198,655	0.28%
		<u>\$ 7,789,587</u>	<u>10.90%</u>
Total Assessed Personal Property		<u>\$ 71,484,067</u>	

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Fiscal Year 2012</u>	
		<u>2011 Assessed Valuation</u>	<u>Percent of Total Assessed Personal Property</u>
Franklin Hospital Corporation	Hospital	\$ 2,959,776	4.26%
Spectrum Southeast LLC	Service - Telecommunications	929,726	1.34%
Charter Communications	Service - Telecommunications	919,341	1.32%
Lowe's Home Centers #2698	Retail - Hardware	830,429	1.20%
Love's Travel Stop #2698	Shopping Center	524,554	0.75%
Village At Woods Edge	Retirement Home	467,873	0.67%
Food Lion, Inc.	Retail - Grocery	414,786	0.60%
Enterprise FM Trust	Leasing Company	304,585	0.44%
Franklin Clinic Corporation	Medical Practice	239,862	0.35%
Highground Services Inc.	Engineering Consulting Firm	198,655	0.29%
		<u>\$ 7,789,587</u>	<u>11.21%</u>
Total Assessed Personal Property		<u>\$ 69,483,673</u>	

Source: City of Franklin Treasurer

City of Franklin, Virginia

Taxable Sales by Category

Last Ten Calendar Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Merchant Wholesaler, Durable										
Merchant Wholesaler, Durable Goods	\$ 4,485,732	\$ 3,024,397	\$ 2,678,873	\$ 2,904,459	\$ 2,371,632	\$ 1,806,127	\$ 1,669,822	\$ 3,188,873	\$ 2,201,607	N/A
Merchant Wholesaler, Non-Durable Goods	2,316,498	1,938,925	1,869,475	2,064,428	2,111,572	2,080,192	N/A	N/A	N/A	N/A
Motor vehicle and parts dealers	5,697,229	5,429,051	5,408,868	5,239,325	5,112,592	4,889,783	4,709,352	4,721,876	4,692,831	3,873,423
Furniture and home furnishings	328,789	561,280	1,546,225	341,428	-	-	1,049,067	2,279,473	3,157,818	3,057,434
Building materials, farm and garden supplies	-	-	-	-	-	-	-	15,626,661	20,589,426	-
Food and beverage stores	17,247,516	14,414,547	13,157,798	19,233,198	9,678,555	9,947,261	15,181,770	18,978,071	19,052,994	18,485,435
Health and personal care	3,270,815	2,866,890	2,756,299	1,392,119	1,770,890	1,214,184	1,094,381	995,056	N/A	N/A
Gasoline stations	9,568,308	8,169,647	8,366,142	8,084,526	7,355,646	6,696,970	5,883,759	6,912,466	6,984,919	6,386,331
Clothing and clothing accessories stores	1,499,367	1,322,567	1,466,197	1,524,724	1,452,903	1,521,078	1,640,436	1,800,686	1,907,205	1,913,678
Sporting goods, hobby, book and music stores	581,310	-	259,303	923,119	957,114	1,126,773	572,043	213,433	855,199	268,093
General merchandise stores	61,892,416	58,494,409	59,310,729	60,197,822	59,931,329	61,689,841	59,265,803	59,383,364	66,102,148	59,970,095
Miscellaneous store retailers	2,186,672	1,806,369	1,587,891	1,847,959	2,156,400	3,247,600	2,506,553	1,668,453	1,457,346	1,896,322
Nonstore retailers	3,131,810	2,982,953	3,285,966	290,142	362,880	574,780	1,056,137	1,050,957	1,109,388	957,052
Rental and lease services	185,575	176,987	143,103	160,149	135,257	138,706	-	43,429	95,371	538,438
Professional, scientific, and technical services	-	1,130,741	428,204	-	-	1,284,188	496,354	N/A	1,532,544	1,621,123
Administrative and support services	35,879	-	-	-	-	-	-	-	-	-
Accommodation	-	-	-	-	-	N/A	N/A	N/A	2,512,857	N/A
Food services and drinking places	23,340,965	19,625,591	20,159,158	19,702,931	18,923,698	18,645,187	16,428,458	15,989,545	17,408,704	15,530,633
Repair and maintenance	3,716,193	2,244,478	2,708,919	3,161,387	4,043,033	3,962,936	4,217,944	3,594,792	2,906,481	2,843,412
Personal and laundry services	1,108,244	1,034,436	1,171,204	1,105,658	1,137,408	1,080,827	1,208,198	1,302,214	1,300,644	1,323,188
Chemical manufacturing	-	-	-	-	-	-	-	200,572	686,394	-
All Other Businesses	26,112	14,583	17,396	194,094	16,439	9,680	2,384,511	2,589,207	-	2,530,722
Miscellaneous and Unidentifiable	42,812,796	38,374,601	35,258,015	39,185,900	46,566,770	42,866,680	38,796,791	17,006,970	7,764,925	27,833,602
Total	\$ 183,432,226	\$ 163,612,452	\$ 161,579,765	\$ 167,553,368	\$ 164,084,118	\$ 162,782,793	\$ 158,161,379	\$ 157,546,098	\$ 162,318,801	\$ 149,028,981

Source - Weldon Cooper Center for Public Service

City of Franklin, Virginia

Ratio of Net General Bonded Debt to Assessed Value

Last Ten Fiscal Years Ended June 30,

General Bonded Debt Outstanding

<u>Year</u>	<u>Governmental Activities General Obligation Bonds (Net) ⁽¹⁾</u>	<u>Business-Type Activities General Obligation Bonds (Net) ⁽¹⁾⁽⁴⁾</u>	<u>Total General Obligation Bonds (Net) ⁽¹⁾</u>	<u>School Literary Fund Loans</u>	<u>Revolving Loans</u>	<u>Total</u>	<u>% of Actual Taxable Value of Property ⁽²⁾</u>	<u>Per Capita ⁽³⁾</u>
2021	\$ 21,607,322	\$ 5,507,212	\$ 27,114,534	\$ -	\$ -	\$ 27,114,534	4.62%	3,315
2020	18,501,995	5,145,842	23,647,837	-	-	23,647,837	4.08%	2,951
2019	13,623,350	2,675,802	16,299,152	-	-	16,299,152	2.88%	2,034
2018	15,185,642	3,201,762	18,387,404	-	-	18,387,404	3.29%	2,249
2017	15,780,113	3,713,722	19,493,835	-	-	19,493,835	3.49%	2,347
2016	16,354,987	4,211,684	20,566,671	-	-	20,566,671	3.69%	2,422
2015	15,888,999	4,651,400	20,540,399	-	-	20,540,399	3.71%	2,394
2014	14,733,683	4,876,000	19,609,683	-	-	19,609,683	3.39%	2,285
2013	15,087,295	5,326,000	20,413,295	-	-	20,413,295	3.66%	2,379
2012	12,860,239	3,435,000	16,295,239	-	448,518	16,743,757	2.73%	1,950

Note

⁽¹⁾ General Obligation Bonds are reported net of premiums and discounts for both Governmental and Business-Type Activities.

⁽²⁾ See Table 10 for assessed and estimated actual value of taxable property for assessed value data.

⁽³⁾ See Table 19 for population.

⁽⁴⁾ In addition to the City's general obligation pledge, the bonds are secured on a junior lien basis by the pledge of utility revenues.

City of Franklin, Virginia

Legal Debt Margin Information (in thousands)

Last Ten Fiscal Years Ended June 30,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt limit	\$ 55,050	\$ 57,154	\$ 54,684	\$ 54,684	\$ 55,055	\$ 55,117	\$ 55,085	\$ 55,883	\$ 57,119	\$ 58,678
Total net debt applicable to limit	<u>16,744</u>	<u>20,413</u>	<u>19,610</u>	<u>20,540</u>	<u>20,054</u>	<u>19,011</u>	<u>17,936</u>	<u>15,880</u>	<u>23,259</u>	<u>26,739</u>
Legal Debt Margin	<u>\$ 38,306</u>	<u>\$ 36,741</u>	<u>\$ 35,074</u>	<u>\$ 34,144</u>	<u>\$ 35,001</u>	<u>\$ 36,106</u>	<u>\$ 37,149</u>	<u>\$ 40,003</u>	<u>\$ 33,860</u>	<u>\$ 31,939</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	30.42%	35.72%	35.86%	37.56%	36.43%	34.49%	32.56%	28.42%	40.72%	45.57%

Note: The amounts reported above are presented in thousands.

Assessed value	<u>\$ 586,779,931</u>
Total Assessed Value	<u>\$ 586,779,931</u>
Debt limit (10% of total assessed value)	\$ 58,677,993
Amount of Debt Applicable to Debt Limit	
General Obligation Debt	
Primary Government	21,268,800
Business-Type	<u>5,470,200</u>
Net Debt Applicable to Limit	<u>26,739,000</u>
Legal Debt Margin	<u>\$ 31,938,993</u>

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Franklin, Virginia

Ratio of Annual Debt Service Expenditures to
Total General Governmental Expenditures

Last Ten Fiscal Years Ended June 30,

<u>Fiscal Year</u>	<u>Expenditures - All Governmental Fund Types</u>	<u>Total Debt Service⁽¹⁾⁽²⁾</u>	<u>Percentage of Debt Service to Expenditures</u>
2021	\$ 31,205,850	\$ 3,697,701	11.85%
2020	27,314,676	1,098,588	4.02%
2019	25,518,076	1,936,716	7.59%
2018	25,435,761	3,697,701	14.54%
2017	24,516,296	989,192	4.03%
2016	32,326,918	7,030,858	21.75%
2015	36,807,039	882,406	2.40%
2014	35,916,805	772,482	2.15%
2013	38,554,650	6,267,719	16.26%
2012	33,469,749	915,024	2.73%

⁽¹⁾Includes debt service for all governmental fund types.

⁽²⁾Includes amounts for refunding of debt.

City of Franklin, Virginia

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years Ended June 30,

Fiscal Year	Governmental Activities General	Business-Type Activities General	Total General	Governmental Activities Capital	Business-Type Activities Capital	School Literary Fund	Revolving Loans	Total Primary Government	Total Outstanding Debt as Percentage of Personal Income ⁽¹⁾	Total Outstanding Debt Per Capita ⁽¹⁾
	Obligation Bonds (Net)	Obligation Bonds (Net)	Obligation Bonds (Net)	Leases	Leases	Loans	Loans	Total		
2021	\$ 21,607,322	\$ 5,507,212	\$ 27,114,534	\$ 174,269	\$ -	\$ -	\$ -	\$ 27,288,803	2.41%	\$ 3,336
2020	18,501,995	5,145,842	23,647,837	24,810	-	-	-	23,672,647	2.18%	2,971
2019	13,623,350	2,675,802	16,299,152	141,009	22,595	-	-	16,462,756	1.55%	2,055
2018	15,185,642	3,201,762	18,387,404	256,344	44,650	-	-	18,688,398	1.97%	2,286
2017	15,780,113	3,713,722	19,493,835	370,847	66,180	-	-	19,930,862	2.11%	2,400
2016	16,354,987	4,211,684	20,566,671	484,548	87,197	-	-	21,138,416	2.27%	2,490
2015	15,888,999	4,651,400	20,540,399	156,388	107,714	-	-	20,804,501	2.24%	2,425
2014	14,733,683	4,876,000	19,609,683	326,434	-	-	-	19,936,117	2.21%	2,323
2013	15,087,295	5,326,000	20,413,295	258,240	-	-	-	20,671,535	2.32%	2,409
2012	12,860,239	3,435,000	16,295,239	407,945	-	-	448,518	17,151,702	1.89%	1,997

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾See the table of Demographic Statistics - Table 19.

City of Franklin, Virginia

Demographic Statistics

Last Ten Fiscal Years Ended June 30,

Fiscal Year	Population⁽¹⁾	Total Personal Income (in thousands)⁽²⁾	Per Capita Income⁽³⁾	School Enrollment⁽⁴⁾	Unemployment Rate⁽⁵⁾
2021	8,180	1,131,808	44,215	969	7.3%
2020	7,967	1,084,903	42,381	1,078	10.4%
2019	8,013	1,060,820	40,917	1,075	5.3%
2018	8,176	946,389	35,898	1,053	5.6%
2017	8,306	946,389	35,898	1,056	5.6%
2016	8,490	930,617	34,987	1,132	5.9%
2015	8,580	930,617	34,987	1,201	7.6%
2014	8,582	901,543	33,778	1,265	9.2%
2013	8,582	890,156	33,084	1,265	9.2%
2012	8,588	906,502	33,549	1,271	10.4%

Source⁽¹⁾United States Census Estimates⁽²⁾US Commerce - Bureau of Economic Analysis (Franklin and Southampton combined)⁽³⁾US Commerce - Bureau of Economic Analysis (Franklin and Southampton combined)⁽⁴⁾Virginia Department of Education Fall Membership Data⁽⁵⁾Virginia Employment Commission

City of Franklin, Virginia

Principal Employers

Current Year and Nine Years Ago

Fiscal Year 2021

<u>Employer</u>	<u>Employees⁽¹⁾</u>	<u>Rank</u>
Southampton Memorial Hospital	250-499	1
Wal Mart Stores, Inc.	250-499	2
Franklin City Public Schools	250-499	3
City of Franklin	100-249	4
Paul D. Camp Community College	100-249	5
Care Advantage	100-249	6
Lowe's Home Centers, Inc.	50-99	7
Money Mailer LLC	50-99	8
Farm Fresh	50-99	9
Children's Center	50-99	10

Fiscal Year 2012

<u>Employer</u>	<u>Employees⁽¹⁾</u>	<u>Rank</u>
Bon Secours Health System Inc.	250-499	1
Wal Mart	250-499	2
Franklin City Public Schools	100-249	3
City of Franklin	100-249	4
VDOT	100-249	5
Lowe's Home Centers, Inc.	100-249	6
Paul D. Camp Community College	100-249	7
Elite Home Health Care LLC	100-249	8
Food Lion	100-249	9
Care Advantage	50-99	10

Source: Franklin Southampton Economic Development, Inc. (2nd Quarter of Each Year)
Virginia Gov. - Labor Market Information

⁽¹⁾Exact number of employees per employer not available. Consequently, employees per employer as a percentage of the City's total employment not available.

City of Franklin, Virginia

Full-Time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years Ended June 30,

<u>Function/Program</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund										
General government administration	29.7	27.0	27.0	25.5	25.0	23.5	22.5	25.0	26.0	26.0
Police and communications	42.6	42.5	42.5	42.5	42.5	33.0	37.5	39.0	41.0	40.0
Animal control	1.6	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0
Fire and rescue - EMS	54.0	27.0	27.0	28.0	27.0	27.0	28.0	27.0	27.0	21.0
Community services	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	5.0	5.0
Public works - streets	16.0	15.5	16.0	16.0	16.0	17.0	16.0	17.0	16.0	14.0
Garage	4.0	3.0	3.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Refuse collection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0	9.0
Public works - buildings and grounds	20.5	9.5	9.5	10.0	10.0	10.0	10.0	8.5	9.0	15.0
Park and recreation	0.0	4.0	4.0	3.5	3.5	3.5	3.5	3.5	6.0	5.0
Senior program	4.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0
Library	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5	1.0	1.0
Economic development	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Downtown development	1.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total General Fund	182.5	141.0	141.5	142.5	141.0	131.0	134.5	136.5	146.0	144.0
Social services fund	24.0	25.0	23.0	23.0	23.0	20.0	23.0	21.0	20.0	20.0
Electric	19.5	16.0	16.0	16.0	16.0	9.0	12.0	11.0	16.0	13.0
Water and sewer	13.0	13.0	13.0	13.0	13.0	15.0	13.0	12.0	13.0	13.0
Solid waste fund	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0	0.0	0.0
Incubator	0.7	0.5	0.5	0.5	0.5	0.0	0.0	0.5	0.0	0.0
Airport	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Smart beginnings (Early Childhood)	0.0	0.0	0.0	0.0	0.0	1.5	1.5	3.0	4.0	4.0
	66.2	63.5	61.5	62.5	62.5	55.5	59.5	56.5	55.0	52.0
Total	248.7	204.5	203.0	205.0	203.5	186.5	194.0	193.0	201.0	196.0

Source: Individual City departments

City of Franklin, Virginia
 Operating Indicators by Function/Program
 Last Ten Fiscal Years Ended June 30,

Function/Program	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police										
Physical arrests	466	611	586	574	718	661	693	724	734	693
Parking violations	49	15	13	33	23	23	36	40	79	106
Traffic violations	942	478	560	501	599	790	580	987	1,751	1,943
Fire										
Emergency responses	2,543	2,362	2,250	2,123	2,263	2,498	2,895	2,716	2,718	1,971
Fires extinguished	84	81	70	65	60	69	62	70	78	83
Inspections	4	1	7	24	27	30	24	30	26	22
Building Inspections										
Inspections performed (Franklin)	691	1,088	2,702	1,121	1,884	2,004	3,167	1,451	1,484	3,495
Permits issued	318	2,736	1,152	2,306	1,215	919	1,351	848	406	518
Refuse Collection										
Refuse collected (tons per day)	9.57	9.02	10.19	9.61	10.34	10.10	9.77	9.47	9.75	15
Recyclables collected (tons per day)	0.98	0.93	1.23	1.06	1.09	1.19	1.26	1	1	1
Other Public Works										
Street resurfacing (tons)	4,237	715	1,657	1,838	4,046	6,289	1,690	5,137	-	2,315
Potholes repaired	78	123	108	142	175	159	184	149	163	138
Park and Recreation										
Athletic field permits issued	143	100	300	290	275	275	250	200	240	307
Community center admissions	14,691	17,000	60,502	59,550	59,501	59,501	56,364	57,025	50,885	54,825
Library										
Volumes in collection	30,319	28,450	28,202	33,377	32,527	31,824	30,518	29,832	31,094	32,000
Total volumes borrowed	46,461	53,762	64,321	78,941	92,446	85,509	90,099	96,674	96,749	109,000
Water										
New connections	3	4	4	4	4	2	3	3	-	3
Water main breaks	47	71	79	92	45	48	45	50	42	51
Average daily consumption (thousands of gallons)	826	910	784	647	850	832	1100	1.1	953	943
Peak daily consumption (thousands of gallons)	1248	1232	1278	1812	913	906	1300	1300	1300	1300
Wastewater										
Average daily sewage treatment	1380	1,160	1,180	925	1123	1420	1320	1330	1603	1656
Sewer connections - new	3	4	4	4	4	2	3	2	-	2
Transit										
Total route miles	None	None	None	None	None	None	None	None	None	None
Passengers	None	None	None	None	None	None	None	None	None	None

Source: Individual City Departments

City of Franklin, Virginia

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years Ended June 30,

<u>Function/Program</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	17	17	14	16	16	16	16	16	16
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse Collection										
Collection trucks	8	8	8	8	8	6	5	5	5	5
Other Public Works										
Street (miles)	42.80	43.04	43.04	43.04	43.04	35.50	35.50	35.50	35.50	35.50
Highways (miles)	7.70	7.68	7.68	7.68	7.68	15.09	15.09	15.09	15.09	15.09
Streetlights	1000	955	955	955	951	950	945	945	945	945
Traffic signals	14	14	14	14	14	14	14	14	14	14
Park and Recreation										
Acreage	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61
Playgrounds	3	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	4	5	5	5	6	6	6	6	6	6
Soccer/football fields	2	2	2	2	2	2	2	2	2	2
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	68	68	68	68	68	67	67	67	67	67
Fire hydrants	343	343	343	343	343	336	336	336	336	336
Storage capacity (thousands of gallons)	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300
Wastewater										
Sanitary sewers (miles)	43	43	43	43	43	43	43	43	43	43
Storm sewers (miles)	210	210	210	210	210	210	210	210	210	210
Treatment capacity (thousands of gallons)	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000

Source: Individual City Departments

COMPLIANCE SECTION





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of City Council
City of Franklin, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit IDA, each major fund, and the aggregate remaining fund information of the City of Franklin, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Franklin, Virginia's basic financial statements and have issued our report thereon dated November 19, 2021.

Our report includes a reference to other auditors who audited the financial statements of the School Board of the City of Franklin, Virginia, a discretely presented component unit. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Franklin, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Franklin, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Franklin, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

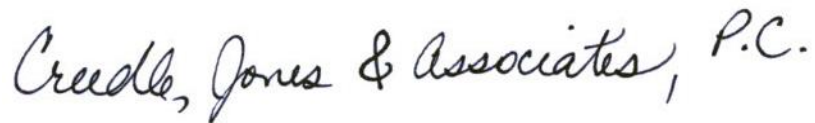
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Franklin, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates
Certified Public Accountants

South Hill, Virginia
November 19, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Members of City Council
City of Franklin, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Franklin, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Franklin, Virginia's major federal programs for the year ended June 30, 2021. City of Franklin, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements include the operations of the School Board of the City of Franklin, Virginia, a discretely presented component unit which may have received federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2021. Our audit described below did not include the operations of the School Board of the City of Franklin, Virginia. The School Board of the City of Franklin, Virginia engaged other auditors to perform an audit in accordance with the Uniform Guidance, if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Franklin, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, the Uniform Guidance, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Franklin, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Franklin, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Franklin, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

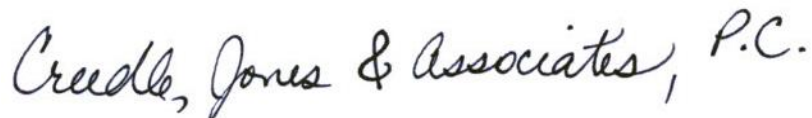
Report on Internal Control over Compliance

Management of the City of Franklin, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Franklin, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Franklin, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Creedle, Jones & Associates
Certified Public Accountants

South Hill, Virginia
November 19, 2021



REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS

To the Honorable Members of City Council
City of Franklin, Virginia

We have audited the financial statements of the City of Franklin, Virginia, as of and for the year ended June 30, 2021, and have issued our report thereon dated November 19, 2021.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the City of Franklin, Virginia, is the responsibility of the City of Franklin, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Franklin, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

State Agency Requirements

- Social Services
- Education
- Children Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Franklin, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the City Council, City of Franklin, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Creedle, Jones & Associates, P.C.

Creedle, Jones & Associates
Certified Public Accountants

South Hill, Virginia
November 19, 2021

City of Franklin, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U. S. Department of Health and Human Services				
Pass-Through Payments				
<i>Department of Social Services</i>				
Promoting safe and stable families	93.556	765	\$ -	\$ 6,568
<i>TANF Cluster</i>				
Temporary assistance for needy families (TANF)	93.558	765	-	148,558
Refugee and entrant assistance - state administered programs	93.566	765	-	323
Low-income home energy assistance	93.568	765	-	22,786
<i>CCDF Cluster</i>				
Child care mandatory and matching funds of the child care and development fund	93.596	765	-	30,278
Chafee education and training vouchers program	93.599	765	-	267
Stephanie Tubbs Jones child welfare services program	93.645	765	-	76
Foster care - Title IV-E	93.658	765	-	157,174
Adoption assistance	93.659	765	-	28,405
Social services block grant	93.667	765	-	105,260
John H. Chafee foster care program for successful transition to adulthood	93.674	765	-	1,513
Children's Health Insurance Program (CHIP)	93.767	765	-	2,316
<i>Medicaid Cluster</i>				
Medical assistance program	93.778	765	-	183,596
Subtotal - U. S. Department of Health and Human Services			-	687,120
U. S. Department of Agriculture				
Pass-Through Payments				
<i>Department of Social Services</i>				
<i>SNAP Cluster</i>				
State administrative matching grants for the supplemental nutrition assistance program	10.561	765	-	242,291
Subtotal - U. S. Department of Agriculture			-	242,291
U. S. Department of Transportation				
Direct Payments				
Airport improvement program	20.106	N/A	-	58,614
Subtotal - U. S. Department of Transportation			-	58,614
U. S. Department of Homeland Security				
<i>Department of Emergency Management</i>				
Emergency management performance grant	97.042	127	-	16,595
Subtotal - U. S. Department of Homeland Security			-	16,595
U. S. Department of Housing and Urban Development				
Pass-Through Payments				
<i>Department of Housing and Community Development</i>				
Community Development Block Grants - Planning grant	14.228	165	-	37,000
Subtotal - U. S. Department of Housing and Community Development			-	37,000
U. S. Department of the Education				
Pass-Through Payments				
<i>Department of Behavioral Health and Development Services</i>				
Special education - Grants for infants and families with disabilities	84.181	720	177,154	177,154
Subtotal - U. S. Department of Education			177,154	177,154
U. S. Department of the Treasury				
Pass-Through Payments				
<i>Department of Accounts</i>				
Coronavirus Relief - Muni Utility Funds	21.027	151	-	82,341
Coronavirus Relief Funds	21.019	151	-	1,999,985
Subtotal - U. S. Department of Treasury			-	2,082,326
Total Expenditures of Federal Awards			\$ -	\$ 3,301,100

See accompanying notes to schedule of expenditures of federal awards.

City of Franklin, Virginia

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of City of Franklin, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Franklin, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Franklin, Virginia.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

City of Franklin, Virginia has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Subrecipients

The Children's Center, a nonprofit agency providing children ages birth to five with early childhood education services is a subrecipient of the "Grants for Infants and Families with Disabilities" and received federal awards of \$177,154 from the City for the year ended June 30, 2021.

City of Franklin, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency (ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency (ies) identified? None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

There are no federal award findings to report.